

To our shareholders

As a comprehensive manufacturer of automatic control equipment that supports automation and labor-saving operations in industry, we contribute to the resolution of social issues, such as climate change, low birth rate, and aging population.



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

The year ended March 31, 2024 saw increasing political and economic discord arising in all parts of the world, including the prolonged conflict in the Ukraine and the U.S.-China trade friction.

The risks presented by climate change and geopolitical concerns have had a real impact on the global economy, as seen with ships avoiding the Suez Canal due to the outbreak of conflict in the Middle East and record level drought obstructing passage through the Panama Canal.

SMC's automatic control equipment can contribute to addressing social issues of climate change, low birth rate and the aging population by reducing CO₂ emissions and promoting a shift toward automation and labor saving.

SMC will further refine its global network, which stretches across more than 80 countries and employs 23,000 people, an extensive product lineup of more than 700,000 items and abundant inventory, product development capabilities to respond to customer requests, and a solid financial base. We will build on efforts to develop a BCP system capable of fulfilling our responsibility to supply products under all circumstances, expand production capacity with a view to capturing medium- to long-term demand growth, while bolstering global collaboration in sales activities with IT, and securing and actively utilizing a diverse and talented human resources.

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

June 2024

Yoshiki Takada, President

The Honorary Chairman, Mr. Yoshiyuki Takada, passed away on April 20, 2024 at the age of 97.

For 60 years since the Company's founding, he took the lead in all aspects of the Company's business activities such as product development, manufacturing, and sales, and laid the foundation for the Company's development.

We extend our deepest gratitude for the kindness and respect shown to Mr. Yoshiyuki Takada throughout his life.



Notice of the 65th Annual General Meeting of Shareholders

We would like to inform you that we will hold the 65th Annual General Meeting of Shareholders as follows. In holding this General Meeting of Shareholders we have taken measures for electronic provision of information that constitutes the content of reference documents for the general meetings of shareholders (matters subject to measures for electronic provision), which are posted on our website under “Notice of Convocation Annual General Meeting 2024 and Informational Materials for the General Meeting of Shareholders”.

<p>The Company’s website address (*1) https://www.smcworld.com/ir/en-jp/</p>	
<p>Tokyo Stock Exchange (“TSE”) website address (*2) https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show</p>	

(*1) Please navigate through “IR Information”, “Stock Information”, and “General Meeting of Shareholders”, to “Notice of Convocation Annual General Meeting 2024 and Informational Materials for the General Meeting of Shareholders”, on the Company’s website.

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

For those unable to attend, we would encourage you to exercise your voting right in writing or via the Internet by 5:00 p.m., on June 26, 2024 (Wednesday) after studying the “Reference Documents for the General Meeting of Shareholders” .

Sincerely,

Notes

1 Date and Time	June 27, 2024 (Thursday) 10:00 a.m. (Reception starts at 9:00 a.m.)
2 Venue	Akihabara UDX Building (15F), 4-14-1, Soto-Kanda, Chiyoda-ku, Tokyo Conference Room, SMC Corporation <i>There are no souvenirs available for shareholders attending the shareholders’ meeting.</i>
3 Agenda	<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 65th fiscal year (April 1, 2023 to March 31, 2024)</p> <p>Matters to be resolved Proposal 1 Dividend of Surplus Proposal 2 Partial Amendments to the Articles of Incorporation Proposal 3 Election of 12 Directors</p>

4 Matters decided upon convening

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

- Following revisions to the Companies Act enacted on September 1, 2022, the Notice of Convocation of General Meetings of Shareholders and other appended materials shall, in principle, be posted on the Company's website, instead of being sent out in writing.
- In accordance with laws and regulations, and the Articles of Incorporation of the Company, among the matters subject to measures for electronic provision, the Consolidated Statement of Changes in Equity, 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 Company's website and TSE website listed before.

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

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

[Attendance at meeting venue]

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

[Measures against the spread of infectious diseases]

- ◎ Please refrain from attendance in person if you have symptoms such as fever or cough.
- ◎ Masks are not required inside the headquarters building. Directors, Corporate Auditors, and employees may not wear masks as well.
- ◎ Inside the venue for the general meeting of shareholders, please consider the surrounding shareholders and maintain etiquette for coughing, etc.

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: 32,072,304,000 yen

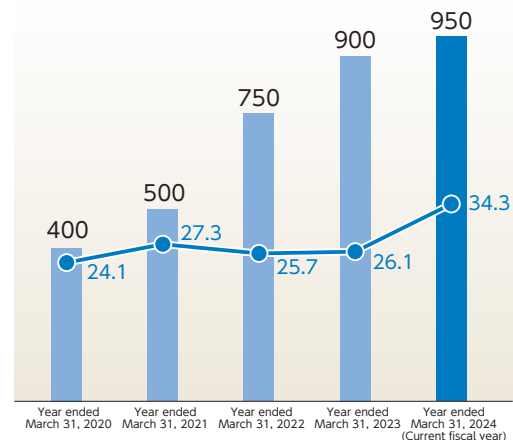
2

Effective date of the dividends from surplus

June 28, 2024

Should the aforementioned proposal for the year-end dividend be approved, the annual dividend per share including the interim dividend will be 950 yen, a 50 yen increase compared to the same period as the previous year.

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



Proposal 2 Partial Amendments to the Articles of Incorporation

1. Reason for proposal

The Company seeks to relocate the head office to a new head office building under construction near Tokyo Station to strengthen collaboration within the Group and improve efficiency, and proposes the following changes to the current Articles of Incorporation (Location of Head Office).

2. Details of amendments

The details of the amendments are as follows.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
(Location of Head Office) Article 3 The Company shall have its head office located in <u>Chiyoda-ku</u> , Tokyo, Japan.	(Location of Head Office) Article 3 The Company shall have its head office located in <u>Chuo-ku</u> , Tokyo, Japan.
<u><Newly established></u>	<u>Supplementary Provisions</u> <u>(Effective date)</u> <u>Article 1</u> <u>The amendment to Article 3 of the Articles of Incorporation (Location of Head Office) shall take effect on the date of the proposed relocation determined at a Board of Directors meeting to be held by March 31, 2025. With the passage of the same day, this Article shall be deleted.</u>

Proposal 3 Election of 12 Directors

The term of office of all current 11 Directors will expire at the conclusion of this Annual General Meeting of Shareholders. It is proposed that the number of Directors be increased by 1 in order to strengthen its business execution function and that 12 Directors (including 4 Outside Directors) be elected (11 reelected, 1 newly elected).

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

Candidate No.	Candidate Name	Current Position and Assignment of Work in the Company	Years served as Director	Attendance at the Board of Directors meetings
1	Yoshiki Takada Reappointed	President/Senior General Manager of Sales Headquarters	30 years	7/7
2	Yoshitada Doi Reappointed	Director and Managing Executive Officer/Senior General Manager of Engineering Headquarters	3 years	7/7
3	Toshio Isoe Reappointed	Director and Executive Officer/General Manager of Administration Division	5 years	7/7
4	Masahiro Ota Reappointed	Director and Executive Officer/General Manager of Finance & Accounting Division	5 years	7/7
5	Samuel Neff Reappointed	Director and Executive Officer/In charge of Supply Chain Management	4 years	7/7
6	Koji Ogura Reappointed	Director and Executive Officer/Vice Senior General Manager of Sales Headquarters	2 years	7/7
7	Kelley Stacy Reappointed	Director and Executive Officer (President of SMC US)	2 years	5/7
8	Hidemi Houjyou Newly-appointed	Executive Officer/ Senior General Manager of Production Headquarters	–	–/–
9	Masanobu Kaizu Reappointed Independent Outside	Outside Director	10 years	7/7
10	Toshiharu Kagawa Reappointed Independent Outside	Outside Director	9 years	7/7
11	Yoshiko Iwata Reappointed Independent Outside	Outside Director	3 years	7/7
12	Kyoichi Miyazaki Reappointed Independent Outside	Outside Director	3 years	7/7



Candidate No.

1 Yoshiki Takada

(June 6, 1958)

Reappointed

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

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

[Reason for selection as a candidate for Director]

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

Years served as Director	30 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares (*)

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



Candidate No.

2 Yoshitada Doi

(February 21, 1962)

Reappointed

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

April 1984	Joined the Company
July 2018	Executive Officer, General Manager of Product Development Division 8
April 2020	Vice Senior General Manager of Engineering Headquarters
June 2021	Director (Incumbent)
June 2021	Executive Officer
June 2021	Senior General Manager of Engineering Headquarters (Incumbent)
May 2023	Managing Executive Officer (Incumbent)

[Reason for selection as a candidate for Director]

After joining the company in 1984, Mr. Yoshitada Doi has worked in R&D for company products and has fulfilled his responsibilities for supervising the entire R&D Division as Vice Senior General Manager of Engineering Headquarters since 2020, and as Senior General Manager of Engineering Headquarters since 2021. From 2022, he has been located in Germany, where he has taken efforts to strengthen the structure of the German Technical Centre and technology centers from different countries, as well as reinforce the cooperation between technology centers. 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	3 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares



Candidate No.

3 Toshio Isoe

(May 26, 1961)

Reappointed

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

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

Years served as Director	5 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	100 shares

[Reason for selection as a candidate for Director]

Mr. Toshio Isoe has been engaged in the operations of the administration for the Company, the management of subsidiaries, the administration for sales, etc. since joining the Company in 2014, and has fulfilled his responsibilities as General Manager of HR and Administration Division since 2019.

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



Candidate No.

4 Masahiro Ota

(December 24, 1963)

Reappointed

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

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

Years served as Director	5 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	100 shares

[Reason for selection as a candidate for Director]

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

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



Candidate No.

5 Samuel Neff
(March 30, 1982)

Reappointed

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

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

Years served as Director	4 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares

[Reason for selection as a candidate for Director]

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

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



Candidate No.

6 Koji Ogura
(January 8, 1954)

Reappointed

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

February 1980	Joined the Company
November 2007	Head of Hamamatsu Sales Office
June 2010	Directors
July 2010	General Manager of Sales Headquarters
June 2017	Resigned as Director
June 2017	Executive Officer
June 2019	Resigned as Executive Officer
April 2020	Vice Senior General Manager of Sales Headquarters (Incumbent)
May 2020	Executive Officer (Incumbent)
July 2020	General Manager of Marketing Division
June 2022	Director (Incumbent)

Years served as Director	2 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	27 shares

[Reason for selection as a candidate for Director]

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

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



Candidate No.

7

Kelley Stacy

(April 27, 1962)

Reappointed

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

August 1994	Joined SMC US
September 2007	Director of SMC US
July 2012	Executive Vice-president of SMC US
December 2019	President of SMC US (Incumbent)
June 2022	Director and Executive Officer of the Company (Incumbent)

[Reason for selection as a candidate for Director]

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

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

Years served as Director	2 years
Attendance at the Board of Directors meetings	5/7
Number of the Company's shares held	0 shares



Candidate No.

8

Hidemi Houjyou

(July 8, 1968)

Newly-appointed

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

January 2003	Joined the Company
September 2020	Executive Officer (Incumbent)
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)

[Reason for selection as a candidate for Director]

Mr. Hidemi Houjyou has undertaken initiatives to strengthen and streamline the production system since joining the Company in 2003, and has fulfilled his responsibilities as the person in charge of the Production Headquarters overall since 2023.

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.

9

Masanobu Kaizu

(December 27, 1951)

Reappointed

Outside

Independent

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

April 1975	Joined Nomura Research Institute, Ltd.
June 1994	General Manager of Investment Research Division
April 1997	General Manager of Investment Research Division, Nomura Securities, Co., Ltd. Financial Research Center
June 2000	Vice President and General Manager of Corporate Research Division, Nomura Securities, Co., Ltd. Financial Research Center
April 2002	Executive Officer, Nomura Securities, Co. Ltd. and President of Financial Research Center
July 2007	Executive Officer, Nomura Securities, Co. Ltd. and Chief Research Officer of Financial and Economic Research Center
January 2012	Senior Research Fellow and Adviser, Nomura Securities Co., Ltd. Financial and Economic Research Center
June 2013	Director, Financial Accounting Standards Foundation
August 2013	Vice Chairman, The Securities Analysts Association of Japan
June 2014	Outside Director of the Company (Incumbent)
April 2020	Chairman of the Nomination and Compensation Committee (Incumbent)
December 2022	Retires from Nomura Securities Co., Ltd.

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

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

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



Candidate
No.

10

Toshiharu Kagawa

(November 12, 1950)

Reappointed

Outside

Independent

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

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

Years served as Director	9 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares

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

Mr. Toshiharu Kagawa is a Doctor of Engineering specializing in flow measurement and control and has a superb personality and insights. His specialization and the Company's business areas are very closely related.

He has made proposals on management policies mainly in relation to research and development activities and measures for the training of engineers based on his own specialized knowledge and wide experience as a researcher and educator. He also monitored the Company's management activities from a neutral and objective point of view, further enhanced management transparency, and improved corporate value in the medium- and long-run by promoting continuous corporate growth.

He also has strived to enhance the fairness, transparency and objectivity to the nomination and compensation process of Directors by serving as a member of the Nomination and Compensation Committee since 2020.

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

According to the Company's judgment, Mr. Kagawa is capable of carrying out his duties as Outside Director for the abovementioned reasons and considering his experience as the Company's Outside Director although he has not directly been involved in corporate management before, except the said experience.



Candidate No.

11

Yoshiko Iwata

(July 15, 1956)

Reappointed

Outside

Independent

Years served as Director	3 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares

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

April 1979	Joined Bank of America, Tokyo Branch
June 1989	Joined Visa International
January 1992	Joined Dewe Rogerson Japan
November 1994	Joined Technimetrics (currently Thomson Reuters), Tokyo Branch, Senior Director in charge of Japan/Korea
February 2001	Joined J-Eurus IR Co., Ltd.
May 2001	President of J-Eurus IR Co., Ltd.
November 2014	Outside Director, Yamato International Inc.
June 2021	Outside Director of the Company (Incumbent)
June 2021	Outside Director, Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc.
January 2022	Member of the Sustainability Committee of the Company (Incumbent)
September 2022	Outside Director, Lasertec Corporation (Incumbent)
April 2023	Chairperson, Member of the Board, J-Eurus IR Co., Ltd. (Incumbent)

[Important concurrent duties]

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

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

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

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

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

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



Candidate
No.

12

Kyoichi Miyazaki

(October 11, 1962)

Reappointed

Outside

Independent

Years served as Director	3 years
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares

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

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

[Important concurrent duties]

Representative Director, Zen Asset Management Co., Ltd.

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

Mr. Kyoichi Miyazaki has amassed a wealth of knowledge and experience related to market risk management and investment portfolio management utilizing cutting-edge financial engineering in international financial institutions. He possesses superb insights and personality as he established and manages his own asset management company.

He has made proposals on management policies, primarily policies related to international business, risk management, and corporate governance, based on his own professional knowledge, monitor the Company's management activities from a neutral and objective point of view, further enhance management transparency, and improve corporate value in the medium- and long-run by promoting continuous corporate growth.

Moreover, since becoming Chairman of the Sustainability Committee in 2022, he has done his utmost to supervise the Company's sustainability initiatives for appropriateness and monitor their progress.

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

Reference Documents for the General Meeting of Shareholders

(Notes)

1. No special interests exist between the candidates and the Company.
2. Mr. Masanobu Kaizu, Mr. Toshiharu Kagawa, Ms. Yoshiko Iwata and Mr. Kyoichi Miyazaki are candidates for Outside Director stipulated in Article 2, Paragraph 3, Item 7 of the Regulations for Enforcement of the Companies Act.
3. The Company has made a contract with Outside Directors Mr. Masanobu Kaizu, Mr. Toshiharu Kagawa, Ms. Yoshiko Iwata, and Mr. Kyoichi Miyazaki for the limitation of liability in accordance with Article 427, Paragraph 1 of the Companies Act and Article 27 of the Company's articles of incorporation (a contract limiting the amount of liability under Article 423, Paragraph 1 of the Companies Act to the maximum amount stipulated by law). If the reelection of the candidates is approved, the Company plans to renew this contract.
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. All candidates for Director are insured under this agreement. An outline of the details of this contract is included in the chart below.
At the Board of Directors meeting after the conclusion of this Annual General Meeting of Shareholders, the Company plans to approve the renewal of the same contract under the same terms.

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

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

5. The Company has also designated Outside Directors Mr. Masanobu Kaizu, Mr. Toshiharu Kagawa, Ms. Yoshiko Iwata and Mr. Kyoichi Miyazaki as Independent Directors as stipulated by the TSE, and registered them as such with the TSE.

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

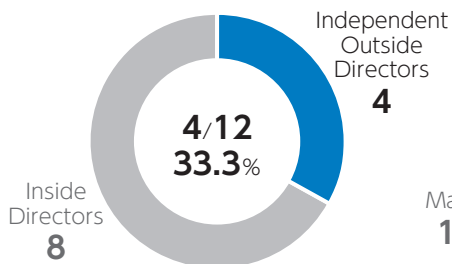
Described below are the criteria for judging independence of Outside Directors and Outside Corporate Auditors. The Company has set these criteria by adding the Company's unique essence on to those issued by the TSE and other relevant legal requirements.

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

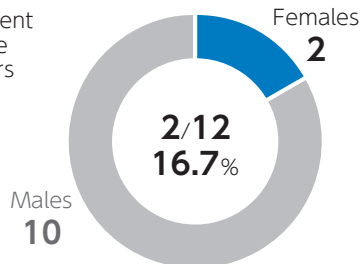
- (1) A person conducting business operations of the Company's group (e.g. Executive Director, Executive Officer or employee; hereinafter the same applies)
- (2) A main account (*) of the Company's group, or a person conducting business operations for the account
 - (*) A main account means any of the following persons or organizations.
 - A customer to which the Company's group makes 2% or more of its consolidated net sales
 - A supplier or a service provider that makes 2% or more of its consolidated net sales to the Company's group
 - A lender from which the Company's group has gotten a loan amounting to 2% or more of its consolidated total assets
- (3) A major shareholder of the Company (who holds 10% 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)

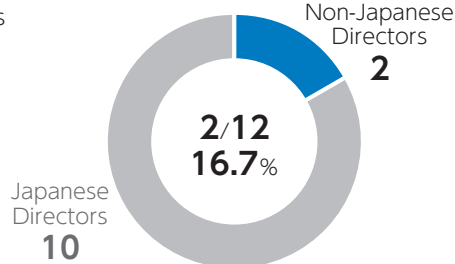
Percentage of Independent Outside Director



Percentage of female Directors



Percentage of non-Japanese Directors



[Reference 3] Skills matrix for Directors and Corporate Auditors

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

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

1 Matters pertaining to the present status of the Group

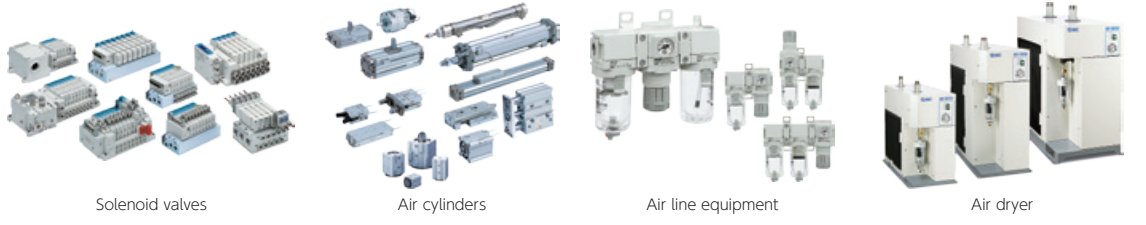
1 Main business activities

Manufacturing and sales of automatic control equipment, including pneumatic instruments

1 Pneumatic instruments

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

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



2 Electric instruments



Key products Electric actuators

3 Sensor



Key products Pressure switch, Flow switch

4 Temperature control equipment



Key products Thermo-chiller, Thermo-controller

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

Machine tools



Agriculture



Medical



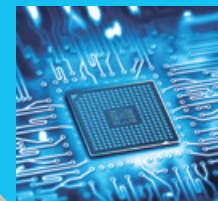
HOSPITAL

Food



STORE

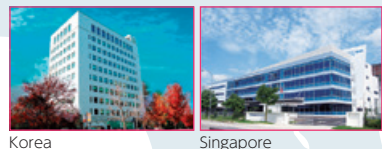
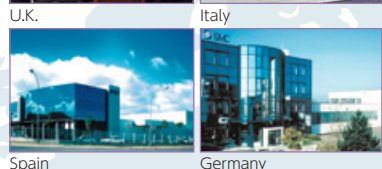
Semiconductor



Automobile



Global Network (for reference purposes)



Europe **18.5%**

Net sales **143,774** million yen YoY change **+3.8%**

Challenging market conditions continued due to factors including the time it took to clear the inventory that had built up due to the disruption in the supply chain, rising energy costs due to the prolonged war in Ukraine, and delays in capital investment plans for automotive power semiconductors and rechargeable batteries.

Greater China **25.8%**

Net sales **200,580** million yen YoY change **-14.8%**

In China, orders remained sluggish due to a worsening economic outlook, particularly in the real estate industry, the impact of U.S.-China trade friction, and a sharp drop in demand for EV, rechargeable batteries, and solar panels. In Taiwan, semiconductor-related capital investment fell sharply.

Other Asia **15.4%**

Net sales **119,347** million yen YoY change **-1.9%**

Market conditions remained tough, particularly in Singapore and Malaysia, which have a high ratio of semiconductor-related industries. In India, investment demand was strong due to the shift of production from China.

North America **16.5%**

Net sales **128,402** million yen YoY change **-0.2%**

The demand environment remained challenging, with the U.S. ISM manufacturing index stuck below 50. In addition to a sharp decline in semiconductor-related orders, the major automobile manufacturers, from whom EV-related capital investment was expected, delayed their capital investment plans due to the slowdown in growth of the EV market.

Other **2.5%**

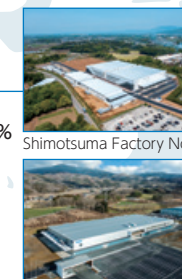
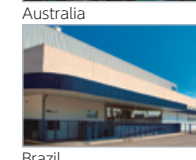
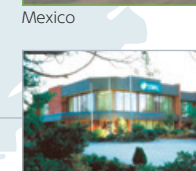
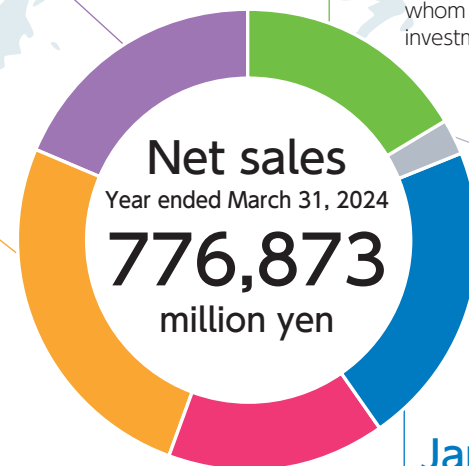
Net sales **19,150** million yen YoY change **+16.0%**

South America, Oceania and other regions achieved year-on-year increases in sales due to the continued recovery in capital expenditures.

Japan **21.3%**

Net sales **165,618** million yen YoY change **-10.0%**

Orders were generally weak, particularly in semiconductors and electronics, which were affected by the restraint and postponement of capital investment in Japan, North America, and Asia, and in machine tools, which saw a significant decline in export demand to China.



Tono Factory No.2

Kamaishi Factory No.5

2 Business progress and results

During the fiscal year ended March 31, 2024, the prolonged war in Ukraine, the outbreak of conflicts in the Middle East, movements towards global financial tightening, the delicate U.S.-China relations, and concerns about slowdowns in the Chinese economy have heightened an atmosphere of uncertainty about the future, resulting in continued holding back on capital expenditures across a wide range of industries.

Demand for automatic control equipment in areas related to semiconductors and electronics continued to be restrained or postponed in many regions including Japan, Asia, and North America. In the automotive sector,

despite some EV-related investment, mainly in Europe and the U.S., demand for EV batteries in Greater China, which had been at a high level in the previous year, declined significantly, leading to an overall downturn. Machine tools remained in an adjustment phase due to sluggish semiconductor-related demand and the slowdown in the Chinese economy. Industries related to medical equipment, food machinery, and other were sluggish despite new post-COVID-19 demand for automation.

In this environment, the Group has been making aggressive capital expenditures to strengthen product supply systems in preparation for medium- to long-term

demand growth, while continuing to tackle issues such as the development of new products and proposal of solutions that can contribute to reducing our customers' CO₂ emissions, establishing a BCP (Business Continuity Plan) system, and utilizing global talent.

As a result, consolidated net sales for the fiscal year ended March 31, 2024 was 776,873 million yen (down 5.8% YoY). Operating profit was 196,226 million yen (down 24.0% YoY) due to a decrease in sales volume and an increase in manufacturing costs caused mainly by increases in raw material costs, personnel expenses, and depreciation. Although foreign exchange gains declined,

the amount of increase in interest income exceeded such decline, resulting in ordinary profit of 251,008 million yen (down 18.0% YoY). Profit before income taxes was 252,653 million yen (down 18.2% YoY) due to a decrease in gains on sales of investment securities. Profit attributable to owners of parent was 178,321 million yen (down 20.6% YoY).

ROE became 10.0%, a decrease of 3.8 points from the previous fiscal year.

③ Issues to be addressed

SMC Group has set out the following management philosophy and identified the issues that SMC Group needs to address for the future under its “Long-term management vision”.

(1) 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.

(2) Long-term management vision

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

④ Status of capital investments

The Company is actively expanding its production and logistics facilities in order to establish production capabilities for increased medium-to long-term sales and create a system capable of maintaining global production supply even during emergencies and has begun construction of a new headquarters and R&D center. In addition, the Company also introduced new equipment and updated molds, etc., in order to reduce its environmental burden and for further rationalization and cost reduction.

The total amount of capital investments during the fiscal year ended March 31, 2024 was 105,522 million yen (29.3% increase year on year).

Listed below are the main capital investments during the fiscal year 2023.



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



SMC Czech (Bychkov, Czech Republic)



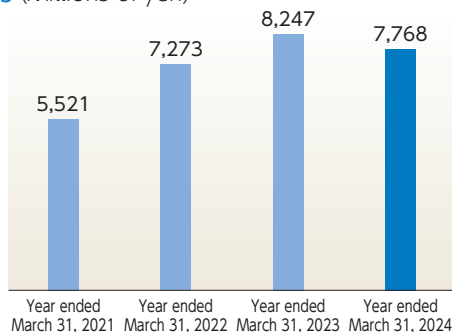
SMC Korea Daejeon Factory No. 2 (Daejeon, Korea)

5 Changes in assets and financial results

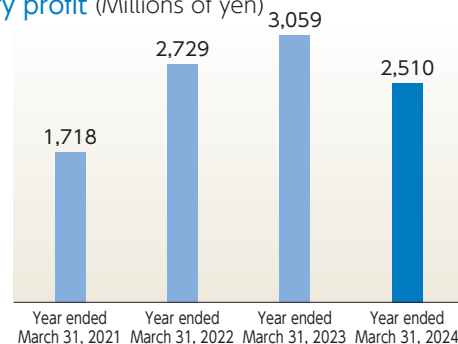
(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	552,178	727,397	824,772	776,873
Ordinary profit	171,827	272,981	305,980	251,008
Profit attributable to owners of parent	121,790	192,991	224,609	178,321
Net income per share (yen)	1,831.98	2,923.76	3,444.55	2,766.92
Total assets	1,539,871	1,769,951	1,927,940	2,094,559
Net assets	1,379,987	1,559,274	1,702,325	1,885,871
Net assets per share (yen)	20,835.47	23,808.08	26,331.72	29,338.63
Return on equity (ROE)	9.3%	13.2%	13.8%	10.0%

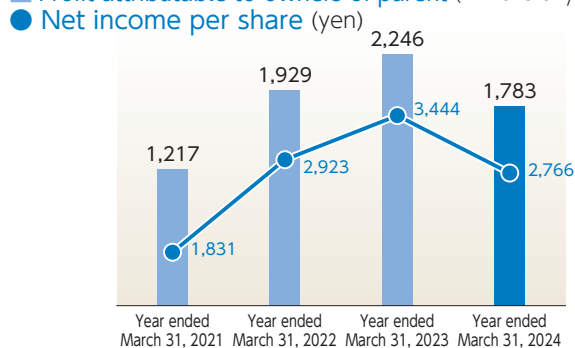
Net sales (Millions of yen)



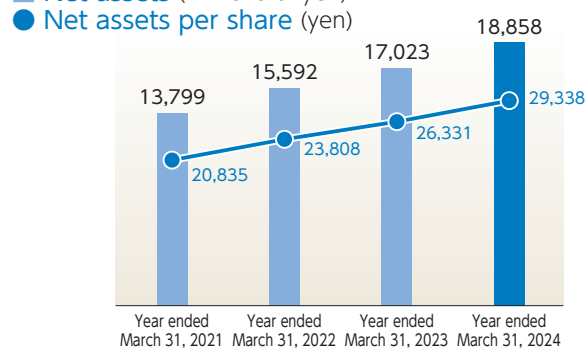
Ordinary profit (Millions of yen)



Profit attributable to owners of parent (Millions of yen)



Net assets (Millions of yen)



6 Status of principal subsidiaries

Company name	Share capital	Percentage of voting rights (%)	Major business
Nihon Kizai Co., Ltd.	¥ 304 million	47.7	Sales of automatic control equipment
Seigyo Kizai Corporation	¥ 100 million	100.0	Sales of automatic control equipment
SMC Corporation of America (SMC US)	US\$ 172,700 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Deutschland GmbH (SMC Germany)	EUR 84,101 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Corporation (U.K.) Ltd. (SMC U.K.)	£ 14,500 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Italia S.p.A. (SMC Italy)	EUR 18,145 thousand	99.9	Manufacturing and sales of automatic control equipment
SMC Espana S.A.U. (SMC Spain)	EUR 3,305 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Corporation (Singapore) Pte. Ltd. (SMC Singapore)	S\$ 5,600 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Automation (Taiwan) Co., Ltd. (SMC Taiwan)	NT\$ 420,840 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Korea Co., Ltd. (SMC Korea)	KRW 46,500 million	100.0	Manufacturing and sales of automatic control equipment
SMC Investment Management China Co., Ltd. (SMC Investment Management)	CNY 5,685 million	100.0	Management of subsidiaries in China
SMC Automation China Co., Ltd. (SMC China)	CNY 100 million	(Note) 100.0	Sales of automatic control equipment
SMC (China) Co., Ltd. (SMC (China) Manufacturing)	CNY 1,504 million	(Note) 100.0	Manufacturing and sales of automatic control equipment
SMC (Beijing) Manufacturing Co., Ltd. (SMC (Beijing) Manufacturing)	CNY 1,716 million	(Note) 100.0	Manufacturing of automatic control equipment
SMC (Tianjin) Manufacturing Co., Ltd. (SMC (Tianjin) Manufacturing)	CNY 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 15,455,329 million	100.0	Manufacturing of automatic control equipment
SMC Automacao do Brasil Ltda. (SMC Brazil)	BRL 332,525 thousand	(Note) 100.0	Manufacturing and sales of automatic control equipment

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

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

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

7 Status of employees

Number of employees	23,127	Increase from the previous year	139
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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 5,371 temporary staff (average during the year; decreased by 872 persons from the previous year). The decrease in the number of temporary staff is due to a revised definition of temporary staff at some overseas subsidiaries.

8 Status of main lending banks

Names of lending banks	Outstanding balance of borrowings
Resona Bank, Limited	¥8,989 million

9 Major bases

(1) SMC Corporation

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

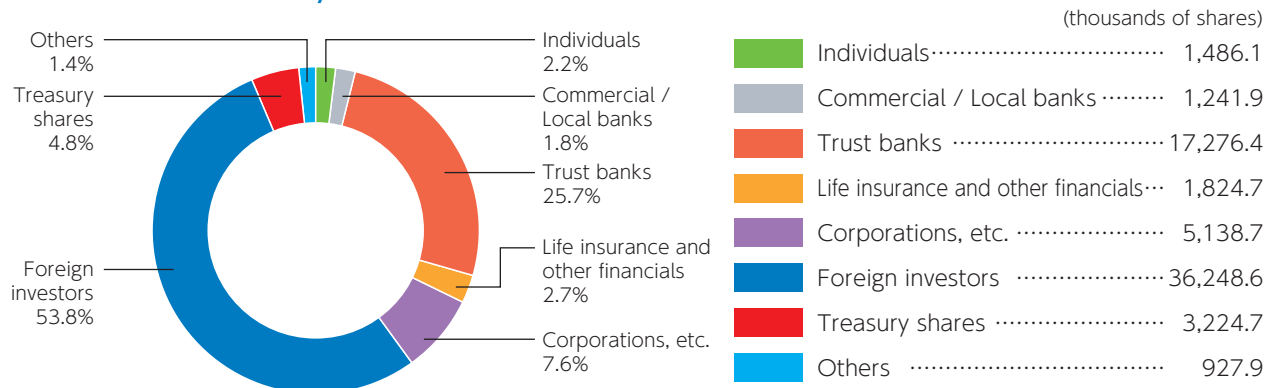
2 Matters pertaining to the Company's shares

- ① Total number of shares outstanding: 67,369,359 (including 3,224,751 shares of treasury shares)
 ② Number of shareholders: 5,308
 ③ Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Percentage of voting rights (%)
Master Trust Bank of Japan (Trust account)	10,240.3	15.96
Custody Bank of Japan, Ltd. (Trust account)	4,559.0	7.10
Takada International LLC	3,793.0	5.91
TON Finance B.V.	3,443.5	5.36
JP Morgan Chase Bank 385632	2,653.5	4.13
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders	1,829.6	2.85
The Bank of New York Mellon 140042	1,385.2	2.15
SSBTC CLIENT OMNIBUS ACCOUNT	1,297.6	2.02
The Nomura Trust and Banking Co., Ltd. (Trust account 2052208)	1,239.4	1.93
State Street Bank and Trust Company 505223	1,226.1	1.91

- (Notes) 1. The Company holds 3,224,751 shares as treasury shares. However, this is excluded from the above list of major shareholders.
 2. Percentages of voting rights are calculated based on the number of shares outstanding of 64,144,608 shares (excluding treasury shares) and are indicated by rounding down figures to two decimal places.

Distribution of share by shareholders



④ Other significant matters pertaining to the Company's shares

The Company repurchased its treasury shares pursuant to the resolution at the Board of Directors meeting held on November 14, 2023, as follows.

(1) Purpose of the repurchase

To enhance returns to shareholders and improve capital efficiency

(2) Total number of shares repurchased

Common shares of the Company 358,400

(3) Total amount of repurchase

29,998 million yen

(4) Period of repurchase

From November 21, 2023 to March 22, 2024

(5) Method of repurchase

Market purchase (Trust method)

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

① Directors and Corporate Auditors (as of March 31, 2024)

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 US
Yoshitada Doi	Director and Managing Executive Officer	Senior General Manager of Engineering Headquarters
Toshio Isoe	Director and Executive Officer	General Manager of Administration Division
Masahiro Ota	Director and Executive Officer	General Manager of Finance & Accounting Division
Samuel Neff	Director and Executive Officer	In charge of Supply Chain Management
Koji Ogura	Director and Executive Officer	Vice Senior General Manager of Sales Headquarters
Kelley Stacy	Director and Executive Officer	President of SMC US
Masanobu Kaizu	Outside Director	(Lead Independent Outside Director) (Chairman of the Nomination and Compensation Committee)
Toshiharu Kagawa	Outside Director	(Member of the Nomination and Compensation Committee)
Yoshiko Iwata	Outside Director	(Member of the Sustainability Committee) Chairperson, Member of the Board, J-Eurus IR Co., Ltd. Outside Director, Lasertec Corporation
Kyoichi Miyazaki	Outside Director	(Chairman of the Sustainability Committee) Representative Director, Zen Asset Management Co., Ltd.
Takemasa Chiba	Full-time Corporate Auditor	
Arata Toyoshi	Outside Corporate Auditor	Certified Public Accountant (Representative, CPA Toyoshi Arata Office) Outside Director (Audit Committee Member), NIHON CHOZAI Co., Ltd.
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. At the conclusion of the 64th Annual General Meeting of Shareholders held on June 29, 2023, Mr. Naoto Moriyama retired from his position as Corporate Auditor upon expiration of his term of office.
4. Also at the 64th Annual General Meeting of Shareholders, Mr. Takemasa Chiba was newly appointed as Corporate Auditor, and at the Board of Corporate Auditors meeting held on the same day, he was selected as a Full-time Corporate Auditor and assumed his post.
5. Mr. Susumu Maruyama resigned as Director effective November 17, 2023. His titles and responsibilities on retirement were Director and Executive Officer, In charge of Business Management, General Manager of Residential Office.

6. Changes in titles and responsibilities of Directors during the fiscal year ended March 31, 2024.

Date of change	New title	Name	Previous title
May 15, 2023	Director and Managing Executive Officer, Senior General Manager of Engineering Headquarters	Yoshitada Doi	Director and Executive Officer, Senior General Manager of Engineering Headquarters
May 23, 2023	Director and Executive Officer, General Manager of Administration Division	Toshio Isoe	Director and Executive Officer, General Manager of Administration Division and in charge of HR

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

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

③ Outline of a liability insurance agreement for Directors, etc.

The Company has entered into a liability insurance agreement for Directors, etc. with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act and will renew this agreement each year. An outline of this liability insurance agreement is as follows. The Company plans to renew this agreement under the same conditions at the next renewal period in June 2024.

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, 2024

	Total amount of compensation	Total amount of compensation by type of remuneration			Number of eligible Directors / Corporate Auditors
		Basic compensation	Performance-linked remuneration, etc.	Non-monetary compensation, etc.	
Directors (Outside Directors)	¥618 million (¥53 million)	¥374 million (¥53 million)	¥93 million (—)	¥150 million (—)	12 (4)
Corporate Auditors (Outside Corporate Auditors)	¥38 million (¥18 million)	¥38 million (¥18 million)	—	—	4 (2)
Total (Outside Directors / Corporate Auditors)	¥657 million (¥72 million)	¥413 million (¥72 million)	¥93 million (—)	¥150 million (—)	16 (6)

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

The performance indicator for performance-linked remuneration, etc. is the net sales growth rate of the current year vs. the previous fiscal year. Net sales growth rate for the current fiscal year was 13.4%. This remuneration is not granted for fiscal years when 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 8% annualized in the medium-term.

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

The Company established “Board Benefit Trust” as a 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, 2024 is equivalent to 2,175 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.

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.

c. Decision-making policy on performance-linked remuneration

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

d. Decision-making policy on non-monetary compensation

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

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

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

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

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

(6) Matters pertaining to the delegation of responsibility for determining the details of compensation, etc. for individual Directors

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

The authority to make these decisions is delegated to the President because the President has the greatest amount of information on the earnings forecast, employees' salary levels, and contribution of each Director to earnings and achievement of the Company's important issues (materiality) aimed at solving social problems, 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	7/7 (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.

Name and position	Meeting attendance		Main activities and overview of performed duties in expected roles
	Board of Directors meeting	Board of Corporate Auditors	
Toshiharu Kagawa Outside Director	7/7 (100.0%)	—	As a researcher and educator specialized in flow measurement and control, an area quite closely related to the Company's business domain, he has supervised the management of the Company and worked for improving the transparency of management based on his professional knowledge and broad experience with neutral and objective viewpoints. He has also made proposals on management policies, in particular, measures centered on R&D activities and the development of engineers in light of urging the Company's sustainable growth and enhancing corporate value in the medium-and long-term. He also strove to enhance the fairness, transparency and objectivity to the nomination and compensation process of Directors by serving as a member of the Nomination and Compensation Committee.
Yoshiko Iwata Outside Director	7/7 (100.0%)	—	She has made proposals based on her expertise and a wealth of experience related to corporate governance and to dialogue between investors and companies, as well business corporate and management experience accumulated in international finance institutions, from the standpoint of protecting the interests of general shareholders and investors in particular, and of further enhancing management transparency. In addition, from the perspective of encouraging the Company's sustainable growth and enhancing corporate value in the medium and long term, she has provided advice on the Company's management policies, especially in relation to corporate governance, information disclosure, and measures for dialogue with investors. 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	7/7 (100.0%)	—	He has made proposals based on his expertise and a wealth of experience related to market risk management and investment portfolio management utilizing cutting-edge financial engineering, from the standpoint of further enhancing management transparency. In addition, from the perspective of encouraging the Company's sustainable growth and enhancing corporate value in the medium- and long-term, he has provided advice on the Company's management policies, especially in relation to measures for international business, risk management, and corporate governance. Furthermore, as the Chairman of the Sustainability Committee, 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.

Name and position	Meeting attendance		Main activities and overview of performed duties in expected roles
	Board of Directors meeting	Board of Corporate Auditors	
Arata Toyoshi Outside Corporate Auditor	7/7 (100.0%)	14/14 (100.0%)	<p>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.</p> <p>He also fulfilled a central role in deliberation and coordination among the Accounting Auditors, Board of Corporate Auditors, and Finance & Accounting Division.</p> <p>Further, utilizing his experience as a partner at major auditing firms, he fulfilled a leadership role in facilitating the collaboration between the new Accounting Auditor and the Board of Corporate Auditors.</p>
Haruya Uchikawa Outside Corporate Auditor	7/7 (100.0%)	14/14 (100.0%)	<p>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.</p> <p>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.</p>

(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

(Note) At the conclusion of the 64th Annual General Meeting of Shareholders held on June 29, 2023, Seiyo Audit Corporation, which was the Accounting Auditor of the Company, retired upon expiration of its term of office.

② Remuneration amount payable to Accounting Auditor in the fiscal year 2023

	Amount payable
Remuneration as Accounting Auditor in the fiscal year	¥88 million
Total amount of remuneration (monies and other assets) the Company and its subsidiaries are liable to pay	¥88 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. In addition to the above fees, the Company paid 5 million yen to the predecessor Accounting Auditor, Seiyo Audit Corporation, in the current fiscal year as fees mainly for the services of handing over to the successor accounting auditor.

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

The audits for some foreign consolidated subsidiaries are performed by auditing firms which belong to the global network same as Company’s Accounting Auditor. The Company pays 68 million yen as compensation based on statutory audit work to these auditing firms.

The total amount of compensation consolidated subsidiaries pay to auditing firms for statutory audit work is 215 million yen.

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

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

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

5 Framework to ensure the properness of operations

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

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

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

② Overview of the operation status of the said frameworks

- (1) Framework to ensure that execution of duties by Directors and employees complies with applicable laws and regulations as well as the Articles of Incorporation
 - The Company has disclosed the “SMC Group Ethical and Corporate Principles” and “SMC Group Code of Conduct” on its website and further clarified its stance of striving to become a company that is trusted not only by customers and business partners but also by society at large by performing fair corporate activities in compliance with applicable laws and regulations and ethical standards.
 - Under the “SMC Group Ethical and Corporate Principles”, the Company has established the “SMC Group Code of Conduct” which specifically describes what the Group’s officers and employees should comply with, and distributed an English translation of the Japanese version to the Group companies. As part of the procedures for evaluating the internal control system pertaining to financial reports, the Company confirms every year that the SMC Group Code of Conduct is well acknowledged among the consolidated subsidiaries.
 - The Company has disclosed its “Procurement Policy”, “Procurement Guidelines”, “Human Rights Policy”, “Basic Anti-Corruption Policy”, and “Tax Policy” on its website.
 - In addition to the internal reporting system, the Company has established a contact point outside the Company as a reporting system which can respond to illegal or inappropriate acts engaged in by Directors or Corporate Auditors. An external law firm versed in practical operations for whistle-blowing processes serves as the contact point.
- (2) Framework for information storage and management with regards to the execution of duties by Directors
 - The Company has implemented a file sharing system with high levels of security in order to safely and efficiently share materials used in the Board of Directors meeting and Nomination and Compensation Committee.
 - Outside Directors and Outside Corporate Auditors are provided the dedicated terminals to enable the Company to carry out security countermeasures remotely.
- (3) Framework to ensure that duties of the Directors are efficiently executed
 - With the expansion of our business, the Company has raised the basis amount for consideration at meetings of the Board of Directors concerning the “acquisition and disposal of important assets” from “¥1 billion or more per account” to “¥5 billion yen or more per account”.
 - With the introduction of an executive officer system, detailed matters related to operation execution are examined in the Executive Officers Meeting, and deliberation of the management strategy and investment project of high importance is performed at the Board of Directors meeting.
- (4) Framework to ensure the properness of operations of the corporate group consisting of the Company and its subsidiaries
 - The Board of Directors Regulations clearly provide to the effect that all matters of particular importance including capital investments, etc., conducted by a subsidiary alone need to be approved by the Board of Directors. During the fiscal year 2023, the Board of Directors meeting deliberated several numbers of projects in detail and had lively discussions together with Outside Directors.
- (5) Framework to ensure that other audit work by Corporate Auditors is effectively performed
 - Continued to take efforts to strengthen collaboration among the Board of Corporate Auditors, the Accounting Auditor and the Internal Audit Office.

(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, 2024)

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024		As of March 31, 2023	As of March 31, 2024
(Assets)			(Liabilities)		
Current assets	1,323,848	1,307,990	Current liabilities	188,847	164,600
Cash and deposits	603,570	511,257	Notes and accounts payable - trade	73,636	58,818
Notes and accounts receivable - trade	228,848	217,671	Short-term borrowings	7,137	7,342
Securities	19,926	33	Income taxes payable	42,435	29,316
Merchandise and finished goods	165,288	197,300	Provision for bonuses	5,143	5,162
Work in process	31,388	37,236	Other	60,494	63,960
Raw materials and supplies	221,925	285,021	Non-current liabilities	36,767	44,088
Other	53,641	60,500	Long-term borrowings	5,049	5,728
Allowance for doubtful accounts	(740)	(1,030)	Deferred tax liabilities	16,094	21,802
Non-current assets	604,092	786,568	Provision for retirement benefits for directors (and other officers)	458	720
Property, plant and equipment	326,995	413,558	Provision for share awards for directors (and other officers)	114	265
Buildings and structures	123,752	148,360	Retirement benefit liability	7,577	8,034
Machinery, equipment and vehicles	52,097	68,166	Other	7,472	7,538
Tools, furniture and fixtures	13,897	21,288	Total liabilities	225,615	208,688
Land	87,746	90,484	(Net assets)		
Construction in progress	49,501	85,258	Shareholders' equity	1,566,266	1,655,906
Intangible assets	16,591	17,332	Share capital	61,005	61,005
Leasehold interests in land	11,759	11,719	Capital surplus	73,342	73,342
Other	4,832	5,612	Retained earnings	1,596,086	1,716,354
Investments and other assets	260,505	355,677	Treasury shares	(164,167)	(194,795)
Investment securities	92,420	172,436	Accumulated other comprehensive income	132,146	225,680
Retirement benefit asset	11,639	17,492	Valuation difference on available-for-sale securities	7,573	14,777
Insurance funds	143,902	147,188	Foreign currency translation adjustment	120,275	203,508
Deferred tax assets	7,456	10,868	Remeasurements of defined benefit plans	4,298	7,394
Other	6,540	9,366	Non-controlling interests	3,912	4,284
Allowance for doubtful accounts	(1,454)	(1,675)	Total net assets	1,702,325	1,885,871
Total assets	1,927,940	2,094,559	Total liabilities and net assets	1,927,940	2,094,559

Consolidated Statements of Income (April 1, 2023 to March 31, 2024) (Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	824,772	776,873
Cost of sales	403,613	413,796
Gross profit	421,159	363,077
Selling, general and administrative expenses	162,958	166,851
Operating profit	258,200	196,226
Non-operating income	48,016	54,963
Interest income	11,722	18,461
Gain on sale of securities	2,368	6,114
Foreign exchange gains	28,203	24,486
Other	5,722	5,900
Non-operating expenses	236	180
Interest expenses	105	82
Commission for purchase of treasury shares	20	19
Other	110	79
Ordinary profit	305,980	251,008
Extraordinary income	3,663	1,968
Gain on sale of non-current assets	447	732
Gain on sale of investment securities	3,208	1,236
Other	7	—
Extraordinary losses	867	324
Loss on retirement of non-current assets	352	315
Impairment losses	35	—
Extra retirement payments	370	—
Other	109	8
Profit before income taxes	308,777	252,653
Income taxes - current	90,677	75,995
Income taxes - deferred	(6,806)	(1,695)
Profit	224,905	178,353
Profit attributable to non-controlling interests	296	32
Profit attributable to owners of parent	224,609	178,321

(For reference purpose)

Consolidated Statements of Cash Flows (April 1, 2023 to March 31, 2024) (Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities	101,617	98,207
Profit before income taxes	308,777	252,653
Depreciation	25,767	33,355
Interest and dividend income	(12,985)	(19,039)
Foreign exchange losses (gains)	(21,874)	(11,998)
Loss (gain) on sale of investment securities	(3,203)	(1,235)
Decrease (increase) in trade receivables	(10,014)	31,089
Decrease (increase) in inventories	(106,728)	(74,481)
Increase (decrease) in trade payables	6,332	(26,267)
Decrease (increase) in other current assets	(6,023)	(2,279)
Increase (decrease) in other current liabilities	3,690	(2,800)
Other	(5,105)	(9,854)
Total	178,632	169,140
Interest and dividends received	14,692	18,820
Interest paid	(125)	(82)
Income taxes refund (paid)	(91,581)	(89,671)
Cash flows from investing activities	(87,086)	(131,900)
Payments into time deposits	(190,302)	(124,751)
Proceeds from withdrawal of time deposits	207,357	139,812
Purchase of property, plant and equipment	(72,180)	(102,347)
Purchase of intangible assets	(2,197)	(1,961)
Purchase of short-term and long-term investment securities	(60,795)	(67,278)
Proceeds from sale and redemption of short-term and long-term investment securities	18,731	24,140
Purchase of insurance funds	(9,553)	(8,819)
Proceeds from maturity of insurance funds	19,588	6,572
Other	2,265	2,733
Cash flows from financing activities	(113,299)	(87,928)
Net increase (decrease) in short-term borrowings	5,276	(181)
Proceeds from long-term borrowings	2,307	3,100
Repayments of long-term borrowings	(6,936)	(2,051)
Purchase of treasury shares	(55,030)	(30,628)
Dividends paid	(58,776)	(58,063)
Other	(139)	(103)
Effect of exchange rate change on cash and cash equivalents	30,796	35,884
Net increase (decrease) in cash and cash equivalents	(67,972)	(85,737)
Cash and cash equivalents at beginning of period	559,296	491,324
Cash and cash equivalents at end of period	491,324	405,586

(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, 2024)

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024		As of March 31, 2023	As of March 31, 2024
(Assets)			(Liabilities)		
Current assets	624,250	531,328	Current liabilities	139,882	116,500
Cash and deposits	237,832	109,643	Accounts payable - trade	75,435	60,516
Notes receivable - trade	25,021	23,415	Short-term borrowings	5,000	5,000
Accounts receivable - trade	95,795	75,915	Accounts payable - other	7,127	6,293
Securities	19,556	-	Income taxes payable	30,796	18,783
Merchandise and finished goods	34,035	52,542	Accrued expenses	13,535	14,577
Work in process	14,082	18,286	Other	7,988	11,328
Raw materials and supplies	136,488	190,736	Non-current liabilities	10,863	11,003
Accounts receivable - other	56,227	48,885	Provision for retirement benefits	4,282	4,297
Other	5,345	11,938	Provision for share awards for directors (and other officers)	114	265
Allowance for doubtful accounts	(134)	(34)	Other	6,466	6,440
Non-current assets	629,625	797,691	Total liabilities	150,745	127,503
Property, plant and equipment	150,616	197,380	(Net assets)		
Buildings and structures	50,955	50,095	Shareholders' equity	1,095,975	1,187,312
Machinery, equipment and vehicles	17,897	21,598	Share capital	61,005	61,005
Tools, furniture and fixtures	4,956	6,897	Capital surplus	73,271	73,271
Land	66,740	67,525	Legal capital surplus	72,576	72,576
Construction in progress	10,065	51,263	Other capital surplus	694	694
Intangible assets	2,509	3,020	Retained earnings	1,125,866	1,247,831
Software	2,430	2,941	Legal retained earnings	15,251	15,251
Other	79	79	Other retained earnings	1,110,614	1,232,580
Investments and other assets	476,498	597,290	Reserve for special depreciation	138	151
Investment securities	72,892	152,329	Reserve for tax purpose reduction entry of assets	239	427
Shares of subsidiaries and associates	105,925	112,011	General reserve	150,250	150,250
Investments in capital of subsidiaries and associates	136,454	168,175	Retained earnings brought forward	959,986	1,081,750
Prepaid pension costs	5,544	6,950	Treasury shares	(164,167)	(194,795)
Deferred tax assets	8,489	7,167	Valuation and translation adjustments	7,154	14,204
Insurance funds	143,853	147,137	Valuation difference on available-for-sale securities	7,154	14,204
Other	3,378	3,557	Total net assets	1,103,130	1,201,517
Allowance for doubtful accounts	(39)	(39)	Total liabilities and net assets	1,253,875	1,329,020
Total assets	1,253,875	1,329,020			

Non-consolidated Statements of Income (April 1, 2023 to March 31, 2024) (Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	510,431	446,070
Cost of sales	314,709	298,691
Gross profit	195,721	147,379
Selling, general and administrative expenses	52,962	47,804
Operating profit	142,759	99,575
Non-operating income	114,275	127,715
Interest and dividend income	80,844	93,629
Gain on investments in insurance funds	250	1,038
Gain on sale of securities	2,368	6,114
Foreign exchange gains	27,368	23,034
Dividend income of insurance	539	577
Royalty income	1,828	1,672
Other	1,075	1,648
Non-operating expenses	32	40
Interest expenses	11	13
Commission for purchase of treasury shares	20	19
Other	0	6
Ordinary profit	257,002	227,250
Extraordinary income	6,072	1,089
Gain on sale of investment securities	3,208	995
Adjustment for transfer pricing taxation	2,608	—
Other	255	94
Extraordinary losses	509	44
Loss on retirement of non-current assets	138	40
Extra retirement payments	370	—
Other	0	3
Profit before income taxes	262,565	228,295
Income taxes - current	58,867	50,067
Income taxes - deferred	516	(1,789)
Profit	203,180	180,018

(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 21, 2024

To the Board of Directors 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, 2023 to March 31, 2024.

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, 2024, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other information

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

This other information is not included in our opinion on the Consolidated Financial Statements, and we do not express an opinion on this other information.

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

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

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

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

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements in accordance with

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

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

Independent Auditor's Report

May 21, 2024

To the Board of Directors 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 65th fiscal year from April 1, 2023 to March 31, 2024.

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, in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other information

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

This other information is not included in our opinion on the Non-consolidated Financial Statements, etc. and we do not express an opinion on this other information.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the Non-consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient 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 that are relevant to our audit of the Non-consolidated Financial Statements, etc., 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 measures taken in order to eliminate obstruction factors or safeguards that applied in order to reduce obstruction factors to acceptable levels.

Conflicts of Interest

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

Audit Report of Board of Corporate Auditors

Audit Report

We, the Board of Corporate Auditors, have examined and discussed the execution of Directors' duties during the 65th fiscal year, which lasted from April 1, 2023 to March 31, 2024 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 Order for Enforcement of the Companies Act that are necessary for ensuring the appropriateness of operations of a corporate group consisting of a joint-stock company and its subsidiaries (internal control system). Regarding these frameworks, each Corporate Auditor received reports about the formation and the status of their operation on a regular basis, requested explanations from Directors and employees when necessary and expressed opinions.
 - c. The Corporate Auditors monitored and examined whether the Accounting Auditor maintained its independent position and conducted its audits in an appropriate manner. The Corporate Auditors also received from the Accounting Auditor reports on the execution of its duties and requested explanations when necessary. The Corporate Auditors were notified from the Accounting Auditor that the entity has established a "System to Ensure Independent Accountants' Appropriate Execution of Duties" (Item stipulated in Article 131 of the Corporate Calculation Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council), and requested explanations when necessary.

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

2. Conclusions of Audit

(1) Results of the audit of the Business Report, etc.

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

(2) Results of the audit of the Non-consolidated Financial Statements and their supporting documents

We confirmed that the method and the results of the audit conducted by Ernst & Young ShinNihon LLC, the Accounting Auditor are appropriate.

(3) Results of the audit of the Consolidated Financial Statements

We confirmed that the method and the results of the audit conducted by Ernst & Young ShinNihon LLC, the Accounting Auditor are appropriate.

May 22, 2024

Board of Corporate Auditors 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

65th Annual General Meeting of Shareholders

Other matters subject to measures for electronic provision

(Matters omitted from written materials)

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-consolidated Statement of Changes in Equity

Notes to Non-consolidated Financial Statements

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

SMC Corporation

Consolidated Statement of Changes in Equity

(April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Net assets at beginning of period	61,005	73,342	1,596,086	(164,167)	1,566,266
Changes during period					
Dividends of surplus			(58,052)		(58,052)
Profit attributable to owners of parent			178,321		178,321
Purchase of treasury shares				(30,628)	(30,628)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	120,268	(30,628)	89,639
Net assets at end of period	61,005	73,342	1,716,354	(194,795)	1,655,906

	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		
Net assets at beginning of period	7,573	120,275	4,298	132,146	3,912	1,702,325
Changes during period						
Dividends of surplus				–		(58,052)
Profit attributable to owners of parent				–		178,321
Purchase of treasury shares				–		(30,628)
Net changes in items other than shareholders' equity	7,204	83,233	3,096	93,533	372	93,906
Total changes during period	7,204	83,233	3,096	93,533	372	183,546
Net assets at end of period	14,777	203,508	7,394	225,680	4,284	1,885,871

Notes to Consolidated Financial Statements

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

1. The scope of consolidation

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

(i) Number of consolidated subsidiaries: 44

(ii) Names of major consolidated subsidiaries:

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

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

(i) Names of major non-consolidated subsidiaries

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

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

2. The scope of application of the equity method

Non-consolidated subsidiaries (SC SMC Romania S.r.l. and 28 other subsidiaries) that are not accounted for using the equity method are excluded from the equity method scope since their effect on the Consolidated Financial Statements is considered to be minimal and insignificant in whole 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, 2024 for the following 10 subsidiaries whose fiscal year-end date is December 31.

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

4. Accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Securities held to maturity: valued at amortized cost method.

Available-for-sale securities

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

(All unrealized holding gains and losses are included in net assets and cost of sales is principally calculated with 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 and after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings and structures acquired on and after April 1, 2016 are calculated with the straight-line method. And that of foreign consolidated subsidiaries is determined in accordance with the straight-line method pursuant to the accounting standards of the corresponding nation.

Primary useful periods are as described below.

Buildings and structures: 3-50 years

Machinery, equipment and vehicles: 2-17 years

Tools, furniture and fixtures: 2-20 years

(ii) Intangible assets (excluding leased assets)

Amortization of intangible assets of the Company and its domestic consolidated subsidiaries is calculated in accordance with the straight-line method and that of foreign consolidated subsidiaries is determined in accordance with the straight-line method

pursuant to the accounting standards of the corresponding nation.

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 period with a residual value of zero.

(3) Basis for significant allowances and provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

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

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

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

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

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

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

(5) Basis for significant revenues and expenses

(i) Contents of main performance obligations in major businesses

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

accordance with sales agreements, etc.

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

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

- (6) Method of accounting for retirement benefits

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

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

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

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

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

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

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

- (iii) 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.

[Changes in method of presentation]

(Consolidated Statements of Income)

- 1 "Gain on sale of securities", which was included in "Other" under "Non-operating income" in the previous fiscal year, is separately stated from the current fiscal year due to its increased importance in terms of amount.

In the previous fiscal year, "Gain on sale of securities" included in "Other" under Non-operating income was 2,368 million yen.

- 2 “Commission for purchase of treasury shares”, which was included in “Other” under “Non-operating expenses” in the previous fiscal year, is separately stated from the current fiscal year due to its increased importance in terms of amount.

In the previous fiscal year, “Commission for purchase of treasury shares” included in “Other” under Non-operating expenses was 20 million yen.

[Notes on revenue recognition]

1. Information on disaggregated revenue arising from contracts with customers

(Millions of yen)

	Fiscal year 2023
Net sales by region	
Japan	159,172
United States	93,200
China	195,218
Asia (excluding China)	136,726
Europe	149,487
Other	43,068
Revenue from contracts with customers	776,873
Other revenue	—
Net sales to external customers	776,873

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 material financial 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 significant revenues and expenses”.

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

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

(Millions of yen)

	Fiscal year 2023
Claims arising from contracts with customers (balance at beginning of period)	228,505
Claims arising from contracts with customers (balance at end of period)	217,671
Contract assets (balance at beginning of period)	342
Contract assets (balance at end of period)	–
Contract liabilities (balance at beginning of period)	1,198
Contract liabilities (balance at end of period)	931

Contract assets are consideration for which a performance obligation has been satisfied but not yet billed to the customer at the end of the period and are transferred to accounts receivable - trade when the right to the consideration becomes unconditional.

Contract liabilities are consideration received from customers prior to the delivery of products and are included in other under current liabilities on the 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 2023

(Millions of yen)

	Fiscal year 2023
Inventories (before recording loss on valuation)	599,230
Loss on valuation of inventories	79,671
Inventories (consolidated balance sheet amount)	519,558

Loss on valuation of inventories included in cost of sales (after offsetting the reversal amount by the reversal method) was 24,073 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	317,075
2. For non-consolidated subsidiaries	
Investment securities	16,894
3. Collateral assets and collateral liabilities	
Collateral assets	
Buildings and structures	1,158
Land	645
Total	1,803
Collateral liabilities	
Short-term borrowings	146
Long-term borrowings	1,503

[Notes on Consolidated Statements of Income]

	(Millions of yen)
1. Principal items under selling, general and administrative expenses	
Salaries and allowances	58,375
Bonuses	10,310
Retirement benefit expenses	2,544
Provision of allowance for doubtful accounts	476
2. Research and development expenses included under general and administrative expenses as well as manufacturing costs	31,141
3. Loss on valuation of inventories	24,073

[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 share	67,369,359	–	–	67,369,359
Treasury shares	Common share	2,868,732	367,219	–	3,235,951

Notes:

1. Treasury shares include shares of the Company held by the “Board Benefit Trust” (2,600

shares at the beginning of the current fiscal year and 11,200 shares at the end of the current fiscal year).

- Of the 367,219 share increase in the number of treasury shares, 358,400 shares were due to purchase of treasury shares based on the resolution of the Board of Directors, 8,600 shares were due to the purchase by the “Board Benefit Trust”, while 219 shares were due to purchase of shares of less than one full unit.

2. Dividends

(1) Dividend amount

Resolved at	Type	Total dividend amount	Dividend per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2023	Common share	¥29,026 million	¥450	March 31, 2023	June 30, 2023
Board of Directors meeting held on November 14, 2023	Common share	¥29,026 million	¥450	September 30, 2023	December 1, 2023

Note: The “Total dividend amount” resolved at the Annual General Meeting of Shareholders held on June 29, 2023 includes a dividend of ¥1 million for the Company’s shares held by the “Board Benefit Trust”.

The “Total dividend amount” resolved at the meeting of the Board of Directors held on November 14, 2023 includes a dividend of ¥5 million for the Company’s shares held by the “Board Benefit Trust”.

- Dividends whose record date is within the term and effective date in the succeeding term

The following is to be proposed at the Annual General Meeting of Shareholders scheduled to be held on June 27, 2024.

Type	Source	Total dividend amount	Dividend per share	Record date	Effective date
Common share	Retained earnings	¥32,072 million	¥500	March 31, 2024	June 28, 2024

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

- Policy on financial instruments

The Group procures fund 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.

Long-term borrowings are used mainly to fund capital investments.

(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	1,228	1,118	(109)
(ii) Available-for-sale securities	153,901	153,901	–
Total assets	155,130	155,020	(109)

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 prices 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	16,894
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	15,830	—	—	15,830
Government bonds	134,475	—	—	134,475
Other	3,595	—	—	3,595
Total assets	153,901	—	—	153,901

(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	33	—	—	33
Bonds payable	—	1,085	—	1,085
Total assets	33	1,085	—	1,118

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

Securities and investment securities

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

[Notes on real estate for rent]

1. Status of real estate for rent

The Company and some of its consolidated subsidiaries own land for company housing, land for parking lots, and office buildings for lease.

In addition, a factory that will be leased to suppliers in Tono City, Iwate Prefecture (Tono Supplier Park) is under construction for the purpose of strengthening our supply chain's business continuity plan.

2. Fair value of real estate for rent

(Millions of yen)

Consolidated balance sheet amount	Fair value
2,825	5,114

(Notes)

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

The consolidated balance sheet amount stated for Tono Supplier Park in the current fiscal year is 15,117 million yen.

[Notes on per share information]

- | | |
|--------------------------|---------------|
| 1. Net assets per share: | 29,338.63 yen |
| 2. Net income per share: | 2,766.92 yen |

Note: In the Consolidated Statement of Changes in Equity and the 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, 2023 to March 31, 2024)

(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
Net assets at beginning of period	61,005	72,576	694	73,271	15,251	138	239	150,250
Changes during period								
Provision of reserve for special depreciation				-		44		
Reversal of reserve for special depreciation				-		(30)		
Provision of reserve for tax purpose reduction entry of assets				-			208	
Reversal of reserve for tax purpose reduction entry of assets				-			(20)	
Dividends of surplus				-				
Profit				-				
Purchase of treasury shares				-				
Net changes in items other than shareholders' equity				-				
Total changes during period	-	-	-	-	-	13	188	-
Net assets at end of period	61,005	72,576	694	73,271	15,251	151	427	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						
Net assets at beginning of period	959,986	1,125,866	(164,167)	1,095,975	7,154	7,154	1,103,130
Changes during period							
Provision of reserve for special depreciation	(44)	–		–			–
Reversal of reserve for special depreciation	30	–		–			–
Provision of reserve for tax purpose reduction entry of assets	(208)	–		–			–
Reversal of reserve for tax purpose reduction entry of assets	20	–		–			–
Dividends of surplus	(58,052)	(58,052)		(58,052)			(58,052)
Profit	180,018	180,018		180,018			180,018
Purchase of treasury shares		–	(30,628)	(30,628)			(30,628)
Net changes in items other than shareholders' equity		–		–	7,050	7,050	7,050
Total changes during period	121,763	121,965	(30,628)	91,336	7,050	7,050	98,386
Net assets at end of period	1,081,750	1,247,831	(194,795)	1,187,312	14,204	14,204	1,201,517

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 method (all unrealized holding gains and losses are included in net assets and cost of sales is principally calculated with 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)

In accordance with the declining balance method.

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

Primary useful periods 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)

In accordance with the straight-line method.

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

- (3) Leased assets

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

4. Basis for allowances and provisions

- (1) Allowance for doubtful accounts

An allowance is provided for possible loan losses upon assessing the amount deemed

irrecoverable by applying the historical bad-debt ratio for general claims and by individually estimating such amount for specific doubtful claims.

(2) Provision for retirement benefits

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

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

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

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

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

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

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

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

5. Basis for 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 costs related to retirement benefits are different from those adopted to prepare the Consolidated Financial Statements.

[Notes on revenue recognition]

Basic information for understanding revenue

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

[Notes on accounting estimates]

Valuation of inventories

1. Amounts recorded in the financial statements for the current fiscal year

(Millions of yen)

	Current fiscal year (March 31, 2024)
Inventories (before recording loss on valuation)	290,861
Loss on valuation of inventories	29,296
Inventories (non-consolidated balance sheet amount)	261,565

Loss on valuation of inventories included in cost of sales (after offsetting the reversal amount by the reversal method) was 7,620 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	142,090
2. Receivables and payables in relation to subsidiaries and affiliates	
Short-term receivables	83,255
Long-term receivables	62
Short-term payables	16,631

[Notes on Non-consolidated Statements of Income]

Transactions with subsidiaries and affiliates	(Millions of yen)
Net sales	331,182
Purchase amount	90,327
Selling, general and administrative expenses	2,245
Non-operating transaction amount	88,622

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

Type and number of treasury shares				(Shares)	
	Type	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Treasury shares	Common share	2,868,732	367,219	–	3,235,951

Notes:

1. Treasury shares include shares of the Company held by the “Board Benefit Trust” (2,600 shares at the beginning of the current fiscal year, and 11,200 shares at the end of the current fiscal year).
2. Of the 367,219 share increase in the number of treasury shares, 358,400 shares were due to purchase of treasury shares based on the resolution of the Board of Directors, 8,600 shares were due to the purchase by the “Board Benefit Trust”, while 219 shares were due to purchase 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)

	Current fiscal year (March 31, 2024)
Deferred tax assets	
Loss on valuation of investment securities	0
Loss on valuation of inventories	8,970
One-time depreciable assets	162
Loss on valuation of shares of subsidiaries and associates	189
Allowance for doubtful accounts	22
Accounts payable - other	445
Accrued enterprise taxes, accrued business office taxes	1,088
Accrued expenses	3,082
Provision for retirement benefits	1,300
Provision for share awards for directors (and other officers)	81
Asset retirement obligations	120
Other	128
Total deferred tax assets	15,592
Deferred tax liabilities	
Retirement costs for asset retirement obligations	(26)
Prepaid pension costs	(1,873)
Reserve for special depreciation	(67)
Reserve for tax purpose reduction entry of assets	(188)
Valuation difference on available-for-sale securities	(6,269)
Total deferred tax liabilities	(8,425)
Net deferred tax assets	7,167

[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 (China) Co., Ltd.	(Indirect) 100.0%	Distributor of the Company's products and supplier	Sales of the Company's product (*1)	80,457	Accounts receivable - trade	16,506
Subsidiary	SMC Corporation of America	(Direct) 100.0%	Distributor of the Company's products and supplier	Sales of the Company's product (*1)	63,304	Accounts receivable - trade	11,008

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: 18,734.65 yen
2. Net income per share: 2,793.25 yen

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