SMC Business Continuity Plan

The customer's trust is earned with our manufacturing, engineering, sales, management, and financial continuity efforts with a sustainable product supply. *"Uninterrupted Operations and a Resilient Supply Chain"*



As a comprehensive manufacturer of automatic control equipment, SMC aims to fulfill our product supply responsibilities and maintain the trust of our customers by contributing to both sustainable growth and the expansion of technological innovations.

SMC's mainstay products, pneumatic components are used within automatic control machinery utilizing compressed air. Compressed air is an environmentally friendly power source that can be safely released to the atmosphere. SMC foresees that the demand for pneumatic components will increase and that the expansion of the possible applications will directly lead to a reduction in the environmental burden of industry as a whole.

While taking advantage of the advanced technological capabilities we've accumulated over our many years of business, SMC plans to continue contributing to the sustainable growth of industries and the expansion of technological innovations by developing and supplying automatic control equipment. The products we develop and supply will be even more energy efficient, compact, and lightweight in order to not only meet but exceed the needs of our customers around the world.

In addition, SMC will assure that each and every process within our company's business activities will take the protection of the environment into consideration. This will include the removal of environmentally hazardous substances and materials, the conservation of energy and resources, the reduction of the use of packing materials, the reduction of noise, and the reduction of and the proper disposal of waste water and other waste materials.

In recent years we've seen an increase in natural disasters such as heavy rains, large earthquakes, and the spread of infectious diseases. These have gravely threatened our lives, our livelihoods, and our property. In these states of emergencies, many of our customers have found themselves working to maintain and recover their economic activities by switching their production to medical supplies and other daily necessities.

SMC is able to promptly provide products that meet the needs of our customers anywhere in the world as a comprehensive manufacturer of automatic control equipment that supports automation. We are committed to ensuring that SMC is prepared for any emergency and that our business activities will not stop in the event of such an emergency. This includes

maintaining a system that can quickly resume operations in the event of an unavoidable termination. At the same time, we're also introducing the latest security technology in order to fully protect our customer's information.

SMC is further refining it's rock solid BCP, which is unrivaled amongst other companies in the our industry. We promise to do our utmost to fulfill our main responsibility; to provide our customers the products they require.



President Yoshiki Takada



Sustainable BCP Initiatives

(BCP: Business Continuity Plan)

* As of September 2021

Production Department BCP

- Risk hedging by dispersing the location of production and logistics centers
- A sustainable product supply is provided by consistently managing the flow of information and goods from procurement to production and distribution.
- Measures are taken with a long-term perspective in order to implement flexibility and rapid responses to the risks of sudden changes in the production environment.

SMC's supply system provides coverage of the world's major countries.

Production Bases located in 29 countries and regions with an extensive local inventory system

Technical Department BCP

Global Engineering Network Established

- The BCP is implemented with collaboration between the Japan, Asia, US, and European Technical Centers, providing a quick response with 1,700 engineering staff members.
- Accurate and rapid responses to customer issues on a global basis.
- Technical services are provided worldwide through information sharing and close collaboration

Other technical centers, working in parallel to each other can provide operational backups.

Product development conducted by the JTC (Japan Technical Center) is backed up by the other technical centers.

Sales Department BCP

With 532 sales offices in 83 countries around the world SMC provides support for customers with 8700 person strong global sales staff.

SMC offers a full range of sales offices and staff in order to meet every customer request from diverse countries and regions. By doing this, we can deliver additional satisfaction to our customers within the global market.

Customer relationship management via SalesConnect (CRM)

Management and Finance Related BCP

Establishment of an advisory committee

Established an emergency business continuity system with the Chinese, Italian, American, and Singaporean subsidiary general managers.

A strong financial foundation

In the event of an emergency, SMC can provide a safe and solid financial base (with cash, deposits, and equity capital) that will sufficiently cover the working capital and funds needed to rebuild buildings and equipment required for business continuity. This is done to provide our customers and workers alike with a peace of mind.

Information Security (Applicable to all departments)

- Strengthened information security with a globally maintained unified infrastructure. (Server, Firewall, Network Equipment, PCs, Security Tools)
- Prevention of cyber attacks, automatic detection, and strengthening of the monitoring system.
- Installation of data centers to establish a disaster recovery system.

Production

Business continuity risks

Categories of risk	Risk Factors		
External risks	Electric power shortages, nuclear accidents, terrorism, cyberattacks, extortion, obstruction of business, stoppage of supplier operations, rising rent, exchange rate fluctuations, trade friction, war, etc.		
Internal risks	Food poisoning, recalls, contamination, leakage of personal or corporate information, non-compliance, improper accounting, loss of a key employee, lack of a successor, workplace accidents, staff shortages, etc.		
Natural risks	Earthquakes, fires, typhoons, floods, sedimentation, eruptions, heavy snowfall, lightning, tornados, pandemics, etc.		

Most common risks to production activities

SMC has evaluated the degree of impact on our production in the event of an earthquake. As a result of this evaluation we've set targets for the product supply recovery time and have formulated proactive measures and business continuity plans in the event of such a disaster.

Systems for the Restoration of Equipment and Product Supply



Routine Efforts and Emergency Response Efforts





During Normal Operations

During normal operations, the following measures are taken to ensure efficient and secure activities.

Periodic inspections, preventive maintenance, and the restoration of deteriorating products

Periodic inspections, status monitoring, preventative maintenance management, and the restoration of all deteriorating equipment are performed in order to maintain proper working functions.

Crime prevention measures

Factory and section entry/exit logs are maintained and these records are checked in order to prevent theft, information leakages, and other crimes.

Energy measures

Additional energy reduction activities are implemented by introducing overall optimization control, identifying areas for energy saving efforts by "visualizing" the energy being used.



During emergencies

When an emergency occurs, the following actions are taken.

Detection of a disaster or accident Assure Safety

Once an accident or disaster has been detected, an emergency is announced and equipment is automatically shut down in order to prevent secondary disasters.

Employee Safety Confirmation

In order to secure the evacuation route in the event of an accident or disaster, locks are opened in an emergency to allow for rapid evacuations. In addition, employee safety confirmation is transmitted quickly to a remote countermeasure headquarters.

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Since the amount of energy consumption is known, a minimum production power requirement can be determined. Therefore, important equipment such as emergency power supplies can be used in order to supply this minimum power and minimal production can continue.





Production Equipment Recovery (Provide Support)

Information regarding the damage to the equipment is accurately and efficiently gathered in order to quickly determine whether production can restart and determine the number of days required to do so.

Product Quality Restored (Provide Support)

The time to equipment recovery is shortened by collecting and analyzing the information required to restore and maintain product quality when production resumes with the damaged equipment.

Continuously Monitor Mal-ware / Intrusions / Support System to Recover after a Viral Attack

Rapid system recovery utilizing previously collected backup data.

Information (Accurate, Robust, and Fast)

Information gathering /

Organizing / Shared

Infrastructure Construction Knowledge and skills collected during daily production activities can be shared while providing an

environment where this

improve safety, security, environmental awareness, and

profitability.

information can be used to

Establish a system whereby situational awareness and emergency responses are reliably shared during a disaster even in remote areas. In addition, organize the required information in the proper form and provide an environment where decision makers can act quickly.



Production Department BCP

Mass Production Factory Risk Hedging

Production system BCP 90% production supply system recovery within 2 weeks after a disaster

<Product supply system>

- Maintaining supplies with a worldwide logistics and inventory network
- 2 Transferring production to factories outside the disaster
- Backup production performed by cooperating companies
- 4 Equipment Recovery: Recovery possible with new equipment installations and repairs.



Distribution Warehouse Risk Hedging





* BCPs are supported with product inventory held at each of the global sales offices.



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the world with a stable products







Production Department BCP

A global production network providing and continuous supply of high-quality

SMC provides products to world markets from six domestic production facilities, including our Soka (Saitama Pref.) and Tsukuba (Ibaraki Pref.) factories, as well as from overseas production facilities in China, Singapore, India, Vietnam, and the Czech Republic. Additionally, in order to respond quickly and flexibly to the demands of local markets outside of Japan, overseas production facilities have been established in SMC subsidiaries around the world.

1 Domestic Production Facilities (Japan)





Kamaishi Facto (Iwate Pref.)





Tsukuba Factory (Ibaraki Pref.)



Shimotsuma Factor (Ibaraki Pref.)



Shimotsuma Second Factory (Tentative name) Scheduled to start operation in 2022



Tono Factory (Iwate Pref.)





Yamatsuri Factory (Fukushima Pref.)





the world with a stable products



2 Key Overseas Production Facilities

Production facilities in 29 countries and regions

13 countries/regions in Asia and Oceania (Japan, China, Korea, Singapore, India, etc.)

11 countries in Europe and Africa (Germany, England, France, Spain, Czech Republic, etc.)

5 countries in North, Central, and South America (United States of America, Mexico, Brazil, etc.)

Distribution warehouses: 4 countries and regions

(United States of America, Belgium, China, and Korea)





Singapore Factory



India Factory



Vietnam Factory



Czech Factory

Overseas Local Production Facilities

Brazil

Korea

Americas







Argentina Chile

United States of America

Europe and Africa



Germany





Australia





Singapore

Thailand

Taiwan



Philippines



Austria Switzerland Sweden Spain Turkey Finland France South Africa

China (Guangzhou) New Zealand

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Hong Kong Malaysia

Global Engineering Network Established

Technical centers have been established in Japan, the USA, Europe, and China in order to provide accurate and rapid responses to the challenges faced by our customers around the world. We have been able to put BCPs in place in the event of an emergency thanks to our strong global engineering network based on information sharing between technical centers. This allows us to provide homogenous technical servicing anytime, anywhere in the world.

Technical division global backup system

We are continuously working to improve our backup systems so that operations can continue from the home, satellite locations, and overseas technical centers in the event of an emergency (disaster, pandemic, etc.)

Backup of business systems

Through the strengthening of our data centers, we are able to strengthen our data backup system as a whole (CAD, drawing data, technical data, etc.).

Japan Technical Center (JTC) function backup

This allows overseas technical centers to be able to cover the functions of the JTC, namely product design development and technical support, in the event of an emergency.





GIG German Technical Centre

GTC

ETC





The sales network in 83 countries and regions is supported by 8700 global sales staff members.

Through our overseas network, SMC has established a solid reputation as a reliable international brand, with a global market share reaching 37% and aiming for more. We aim to leave customers worldwide with nothing to be desired. By increasing the numbers of sales locations and staff, we hope to continue to exceed the expectations of our customers in different countries and regions.

Managing client data through Sales Connect (CRM)

Customer information from countries around the world is managed using CRM.





This plan maximizes efficiencies and minimizes downtime for early recovery.

Introduction of SMC security stack to all SMC group locations by March 31, 2022

The Kamaishi area experienced three magnitude 7 earthquakes prior to the Great East Japan Earthquake. Because of this, countermeasures were implemented, problems corrected, and disaster prevention training was completed prior to the disaster in order to minimize damage and promptly restore production. (Production resumed 8 days after the quake.)

1 Infrastructure

Satellite telephones are installed at each factory to ensure calling capability.



Large electric power generators (with capacity sufficient to supply power for 2 days at 80% operating level) are installed at every factory.



Layout viewable from the front to the back (no dead ends are formed)
 In normal times: effective for the early discovery of problems, In times of emergency: widened pathway allows for prompt evacuation

Layout change



Easier discovery of injured workers and improved evacuation routes





3 Emergency Supplies: Regular warehouse inspections to confirm that a 3 day supply of food is always available.

• Emergency supplies warehouse



4 Measures to prevent the falling over, falling down, or falling off of supplies and equipment

- Measures to prevent equipment from falling over
- Large equipment secured by L-brackets



- Measures to prevent equipment and production materials from falling down
- Secured by wire



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 Measures to prevent production materials from falling from shelves



Structural Resistance to Natural Disasters

Country	Factory name (Area)	Seismic Intensity Resistance	Estimated seismic intensity	Liquefaction risk	Sea level (m)	Power outage risks ^{*1}	Processes with a power outage risk
Japan	Soka 1st and 2nd Factories (Saitama Pref.)		Lower 6*2	Slightly high	5	No	No
	Tsukuba 1st and 2nd Factories (Ibaraki Pref.)			No	19		
	Tsukuba 3rd Factory (Ibaraki Pref.)				9.8		
	Kamaishi 1st Factory (Iwate Pref.)				12		
	Yamatsuri 1st Factory (Fukushima Pref.)	Upper 6 to 7 ^{*2}			158		
	Tono Factory (Iwate Pref.)		Upper 5 ^{*2}		360		
	Shimotsuma Factory (Ibaraki Pref.)		Lower 6*2		28		
	◇ Japan Technical Center (Ibaraki Pref.)				16		
				Slightly high	5		
China	China 1st to 4th Factories (Beijing)	8 degrees	_	No	28	No	No
Singapore	Singapore Factory (Jurong)	No	No	No	4.5	Yes	Forming, plating, and thermal processes
India	India Factory (Noida)	Zone 4 standards	Zone 4/IS standards (MSKVIII)	No	200	Yes	Machining, assembly, and logistic operations
Vietnam	Vietnam Factory (Ho Chi Minh)	Set according to local seismic force standards Seismic force of 0.0374	No	No	40	No	No
Czech Republic	Czech Factory (Vyškov)	3 to 4	No	No	254	Yes	Machining, assembly, and logistic operations
United States of America	U.S. Factory (Indiana)	B standards	B standards	NEHRP standards C/D	236	With generator/ Backup power supply	No
Korea	Korea Factory (Daejeon)	Standards for seismic intensities of 6*2	Standards for seismic intensities of 6*2	No	36	Yes	Machining, assembly, and logistic operations

Production facilities (Mass production factories) Local market factories

Other facilities (Reference)
 *1 In-house power generation capabilities eliminate power outage risks.
 *2 Seismic intensity scale of Japan

Seismic intensity scale of Japan

3	Felt by most people in buildings. Felt by some people walking. Many people are awakened from sleep.
4	Most people startled. Felt by most people walking. Most people awakened from sleep.
5 Lower	Many people frightened enough to feel the need to hold onto something stable.
5 Upper	Many people find it hard to move. Walking is difficult within holding onto something stable.
6 Lower	Shaking makes it difficult to remain standing.
6 Upper & 7	Impossible to remain standing without crawling. People may be thrown into the air.

The SMC Group has made the following management philosophy declaration and has identified the issues that must be dealt with in order to assure its "Long-term management vision".

Management Philosophy

1 Contributing to automated, labor-saving operations

The Company considers that its social mission is to "contributing to automated, labor-saving operations in industries" through the manufacturing and sales of automatic control equipment, including pneumatic instruments.

2 Focusing on the main business

As a manufacturer of components "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 its main business, automatic control equipment.

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.

Long-Term Management Vision

1 The Company shall strive to develop products capable of accurately capturing customer needs and to create a framework capable of responding to customer requests for delivery dates, quality, prices, etc.

2 The Company shall focus on newly expanding production facilities and replacing existing facilities, establish a globally optimal production system with future vision in mind, and shall accelerate rationalization and cost reduction.

3 The Company shall aim to survive competitions in the global markets and to acquire higher market shares.

Our Approach towards ESG (Environmental, Social and Governance) Sustainability

SMC's mainstay pneumatic instruments are environmentally friendly automatic control equipment powered by compressed air which can be emitted to the atmosphere without creating pollution. Our equipment can contribute to the promotion of energy conservation in all industrial fields. SMC will respond to customer requests in developing and providing products with better energy performance.

SMC's Environmental Policy and the status of ISO certification are made available via the Company's website. https://www.smcworld.com/qc/ja/

SMC Group Ethical and Corporate Principles

SMC Group is, as an integrated member of society, alongside the pursuit of corporate profit, SMC Group recognizes its "Social Responsibility" to stabilize people's lives and to contribute to societies' healthy economic development. SMC Group will endeavor to become broadly useful to society by acting ethically according to principles stated below.

SMC Group Ethical and Corporate Principles	Relevant Stakeholders	
1. To comply with laws and rules	All	
2. To earn trust from customers and suppliers	Customers/Suppliers	
3. To win the support and understanding of shareholders and investors	Shareholders and Investors	
4. To respect the personality of the Company's employees, to prohibit discrimination and to create pleasant environment at workplace	Employees	
5. To communicate with society	Society	
6. To maintain good relationship with governmental and administrative agencies	Society	
7. To adequately deal with anti-social forces, groups and any other relevant party	Suppliers	
8. To work on environmental issues	Suppliers	
9. To set corporate ethical structure proactively	All	

SMC has established the "SMC Group Code of Conduct" based on the "SMC Group Ethical and Corporate Principles" in order to set forth more detailed standards to be complied with by all officers and employees (including temporary workers, temporary employees dispatched from human resource companies and other relevant employees) of SMC Group companies. SMC also requests SMC Group companies' suppliers (including service providers) to respect the purpose of this Code of Conduct.

For details, please visit our website.

https://www.smcworld.com/assets/about/en-jp/pdf/smc_group_code_of_conduct_en.pdf

Corporate Summary



Company name	SMC Corporation
Head office	Akihabara UDX15F, 4-14-1 Sotokanda, Chiyoda-ku, Tokyo 101-0021, Japan
	Phone: +81(0)3-5207-8271 Fax: +81(0)3-5298-5361 https://www.smcworld.com
Established	April 27, 1959
President	Yoshiki Takada
Purpose of business	 Manufacture, processing and sales of automatic control equipment. Manufacture and sales of sintered filters and various types of filtration equipment.
Outstanding shares	67,369,359
Stock exchange listing	Tokyo Stock Exchange first section
Capital stock	61 billion yen
Net sales	552.1 billion yen (Consolidated)*
Net income	121.7 billion yen (Consolidated)*
Number of employees	20,619 (Consolidated)*
Equity ratio	89.4%*
Rating	AA [R&I (Rating and Investment Information, Inc.)]*

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Company information video

* As of the end of March 2021

SMC Corporation

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