# SMC
# Business Continuity Plan

BCP
Formulated

**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"***

SMC

P-E22-20

# Working Toward a Sustainable World

## 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 not only natural disasters such as heavy rains and large earthquakes but also in the spread of infectious diseases, political and military conflicts, and material cost increases and shortages.

As a leading comprehensive manufacturer of automatic control equipment that supports automation, we strive to do everything in our power to be able to promptly — no matter the circumstances — provide products that meet the needs of our customers worldwide.

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.

SUSTAINABLE DEVELOPMENT GOALS

President
Yoshiki Takada

# Sustainable BCP Initiatives

(**BCP**: Business Continuity Plan)

＊ As of August 2022

## Production Department BCP

### Risk hedging is achieved by dispersing the location of mass production factories 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 about 30 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 approximately 500 sales offices in about 80 countries and regions around the world SMC provides support for customers with 8300 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.

# Business Continuity Risks and Countermeasures

## Business continuity plan

No matter how cautiously we strive to manage our businesses, there is always the risk of an unavoidable accident or disaster occurring.
In order to be as best prepared as possible for such unforeseen circumstances, it is essential to create a system to minimize damage and speed up recovery, that is, to formulate a business continuity plan (BCP).

| Categories of risk | Risk Factors |
|---|---|
| External risks | Natural disasters, cyberattacks, geopolitical risks, conflicts between nations, terrorism, exchange rate fluctuations, soaring material costs, difficulty obtaining materials, transportation issues, compliance violations by partner companies, power shortages/failures, communication issues, nuclear accidents, infectious diseases, etc. |
| Internal risks | Non-compliance, environmental compliance/decarbonization, antitrust law violations, labor issues, insufficient production capacity, poor product quality, information leakages, employee scandals, improper accounting |

## Most common risks to production activities

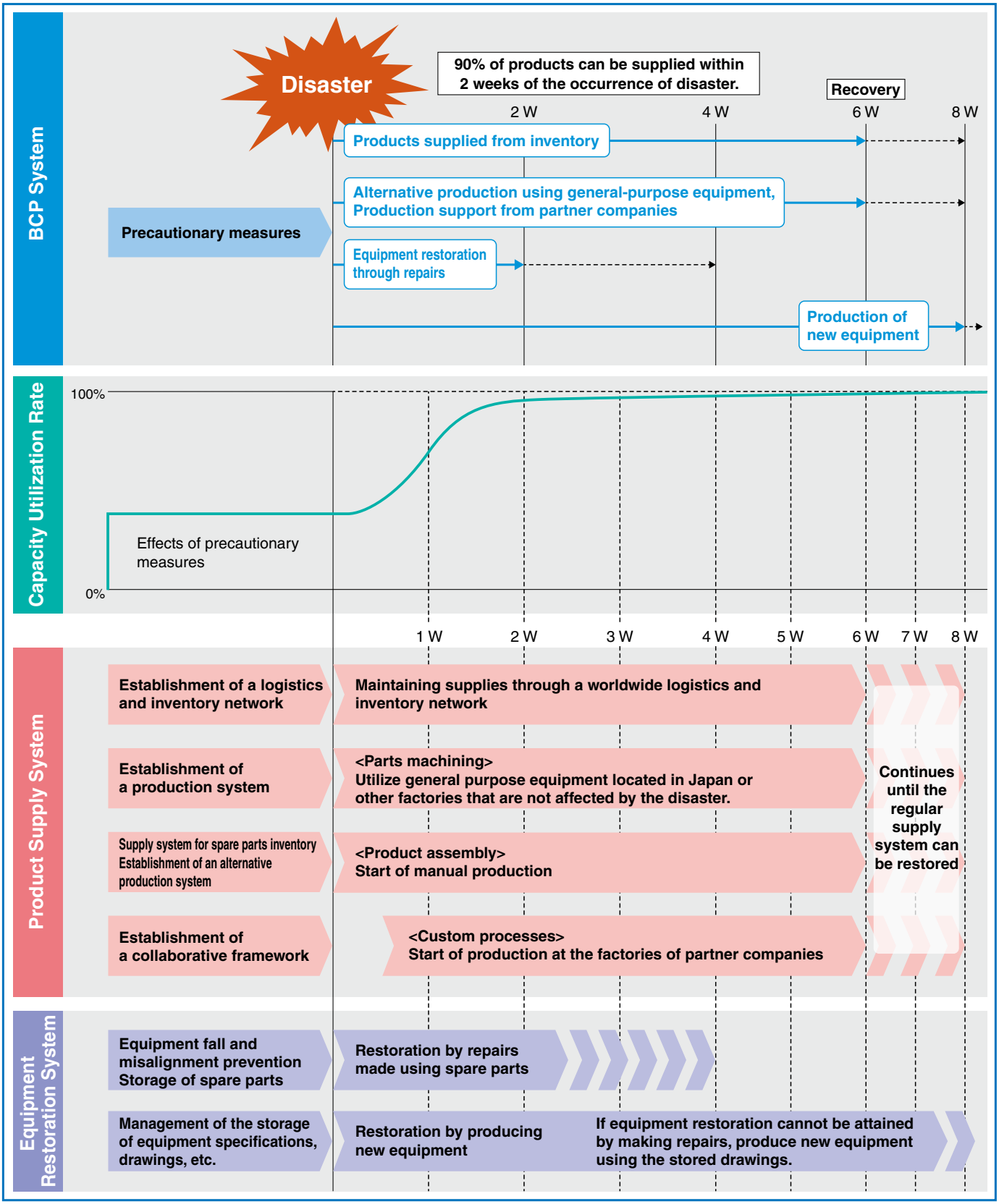
**Natural risks**

**Earthquakes, fires, typhoons, floods, sedimentation, eruptions, heavy snowfall, lightning, tornados, pandemics, etc.**

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

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



# Routine Efforts and Emergency Response Efforts

## During normal operations, the following measures are taken to efficiently ensure safe and secure activities.

1. Periodic inspections, preventive maintenance, and the restoration of deteriorating products
2. Crime prevention measures
5. Product quality improvement
6. Strengthening of information security

## When an emergency occurs, the following actions are taken.

- Natural disasters — Earthquakes, typhoons, tsunamis, etc.
- Man-made disasters — Accidents, etc.
- Power failures or power shortages
- Cyber attacks

**A** The occurrence of an emergency

### Emergency response

1. Detection of a disaster or accident
   Assure Safety
2. Confirmation of employee safety
3. Energy management
6. Routine monitoring of malware and hacking attempts
7. Information provision (robustness, speed, and accuracy)

## During Normal Operations

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

### 1 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.

### 2 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.

### 3 Energy measures

"Visualization" of the results and issues of energy-saving activities, as well as introducing optimization control, allows for the implementation of further energy reduction activities.

## During emergencies

When an emergency occurs, the following actions are taken.

### 1 Detection of a disaster or accident Assure Safety

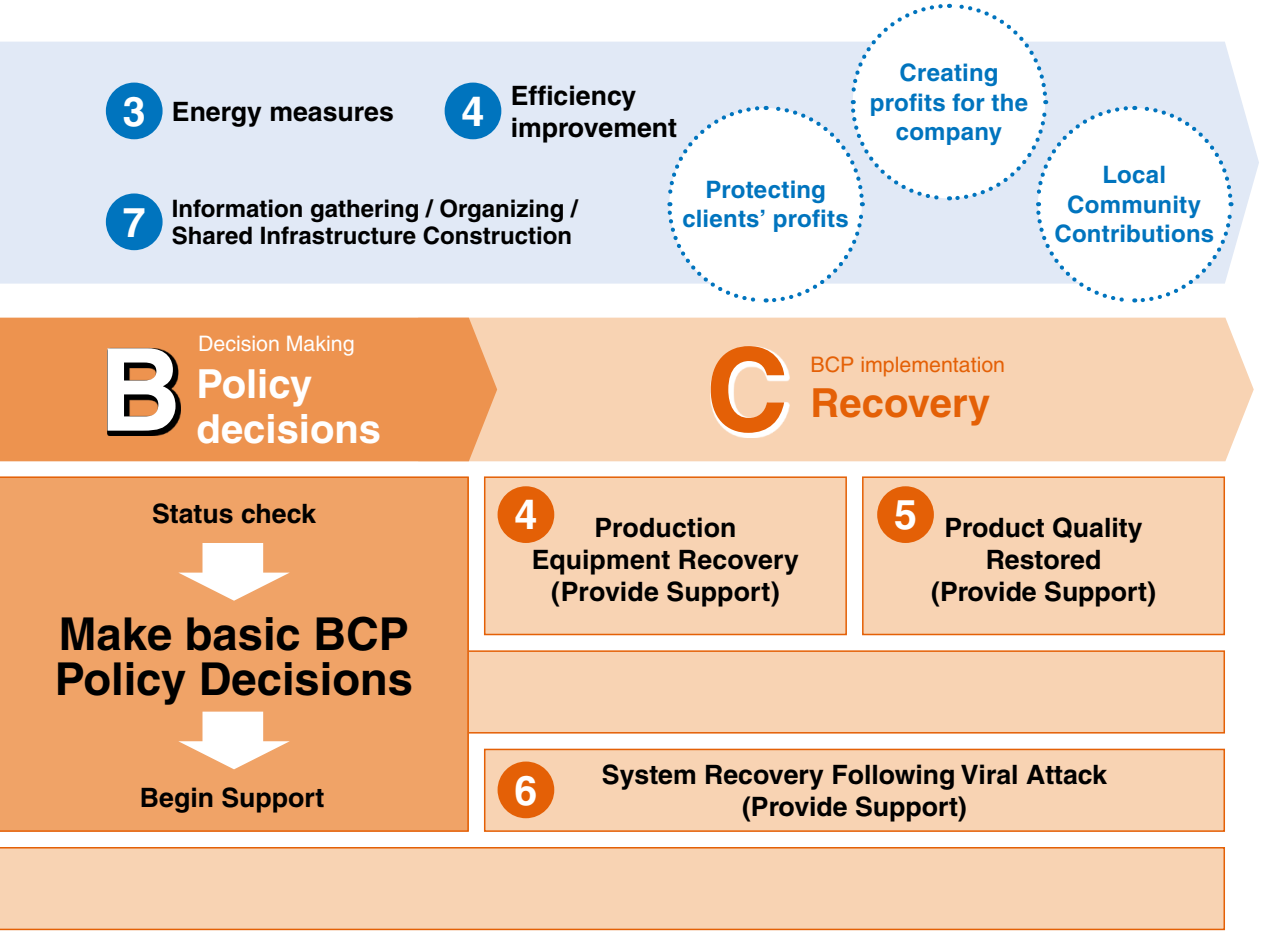
Once an accident or disaster has been detected, an emergency is announced and equipment is automatically shut down in order to prevent secondary disasters.

### 2 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.

### 3 Energy management

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.




## 4 Improve Efficiency

The production process is monitored to collect and provide information in order to achieve greater efficiency.

## 5 Improve Product Quality

Information is collected and analyzed and is the key to improving product quality.

## 6 Enhance Information Security

A system resistant to cyberattacks has been put in place. Viruses are quickly detected and countermeasures are taken prior to widespread damage occurring.

## 7 Information gathering / Organizing / Shared Infrastructure Construction

Knowledge and skills collected during daily production activities are shared while providing an environment where this information can be used to improve safety, security, environmental awareness, and profitability.

## 4 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.

## 5 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.

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

Rapid system recovery utilizing previously collected backup data.

## 7 Information (Accurate, Robust, and Fast)

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.

# A global production and logistics network a stable and continuous supply of high-

## 90% production supply system recovery within 2

## Mass Production Factory Risk Hedging

### Production system BCP

**<Product supply system>**

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

**Tsukuba Factory**
Actuators
Air Line Equipment
Solenoid Valves/Tubing
Auto Switches

**Yamatsuri Factory**
Fittings
Air Dryers/Temperature Control Equipment
Air Line Equipment
Actuators

Asia

**Singapore Factory**
Fittings
Air Dryers

**<Other initiatives>**

- Disaster cooperation arrangement with local governments (domestic)
  Tsukubamirai City, Kamaishi City, Tono City, Town of Yamatsuri
- Tono Supplier Park (Scheduled to start operation in summer 2025)
  Integrated production system allowing for the timely supply of high-quality products through collaboration

## Distribution Warehouse Risk Hedging

**Belgium**
**European Central Warehouse**


**Korea Central Warehouse**

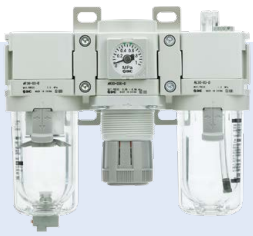
**Germany Factory**

**East Japan Logistics Center**

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

# providing the world with quality products

## weeks after a disaster



**Shimotsuma Factory**
Actuators
Electric Actuators
Auto Switches

Europe

**Czech Factory**
Actuators
Electric Actuators
Air Line Equipment
Temperature Control Equipment

Asia

**China Factory (Beijing)**
Solenoid Valves/Actuators
Air Line Equipment
Air Dryers/Fittings

Asia

**China Factory (Tianjin)**
Actuators
Temperature Control Equipment

**Soka Factory**
Solenoid Valves
Air Line Equipment

**Kamaishi Factory**
Solenoid Valves
Air Line Equipment
Fittings

Asia

**India Factory**
Actuators
Flow Control Equipment

**Tono Factory**
Vacuum Equipment
Flow Control Equipment
Sensors
Auto Switches

Asia

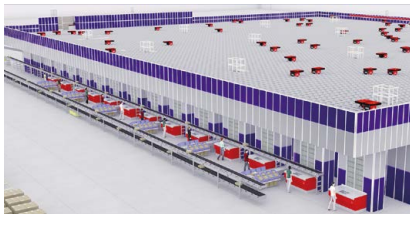
**Vietnam Factory**
Solenoid Valves
Fittings/Tubing
Actuators

**Tono Supplier Park**
Parts supply

**Operation will start in summer 2025.**

＊ Products manufactured at each plant are subject to change for various reasons.

**U.S. Central Warehouse**



Automated warehouse introduction

**West Japan Logistics Center**

**China Logistics Center**
**Beijing, Shanghai, Guangzhou**

**China Warehouse**
**Scheduled to start operation in 2025**

# A global production and logistics network a stable and continuous supply of high-

**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)

Soka Factory (Saitama Pref.)

Kamaishi Factory
(Iwate Pref.)

Tsukuba Factory (Ibaraki Pref.)

Tono Factory (Iwate Pref.)

Shimotsuma Factory
(Ibaraki Pref.)

Yamatsuri Factory
(Fukushima Pref.)

Shimotsuma Second Factory

# providing the world with quality products

**1** Domestic Production Facilities (Japan)
**2** Key Overseas Production Facilities
**3** Overseas Local Production Facilities


## Production facilities in about 30 countries and regions

**Countries and regions in Asia and Oceania**
(Japan, China, Korea, Singapore, India, etc.)

**Countries in Europe and Africa**
(Germany, England, France, Spain, Czech Republic, etc.)

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

## Distribution warehouses: 5 countries and regions

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

## 2 Key Overseas Production Facilities


China Factory (Beijing)


China Factory (Tianjin)


Singapore Factory


India Factory


Vietnam Factory


Czech Factory

## 3 Overseas Local Production Facilities

### Americas


United States of America


Brazil


Mexico

Argentina
Chile

### Europe and Africa


Germany


United Kingdom


Italy

Austria
Switzerland
Spain
Turkey
France
South Africa

### Asia and Oceania


Australia


Korea


China (Guangzhou)

Indonesia
Thailand
Taiwan
New Zealand
Philippines
Hong Kong
Malaysia

# SMC's global engineering network

## Global Engineering Network Established

Technical centers have been established in Japan, the U.S., Europe, and China in order to provide accurate and rapid responses to the requests of our customers around the world. In addition, our strong global engineering network, which facilitates information sharing between technical centers, has allowed us to put solid BCPs in place in order to prepare for any possible emergency. 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 home, satellite offices, and overseas technical centers in the event of a 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.


### JTC Japan Technical Center
**(Japan)**

### ETC European Technical Centre
**(United Kingdom)**

### GTC German Technical Centre

**1700**
engineering staff

CTC

JTC
Japan Technical Center
(Japan)

UTC

## CTC China Technical Center


## UTC U.S. Technical Center

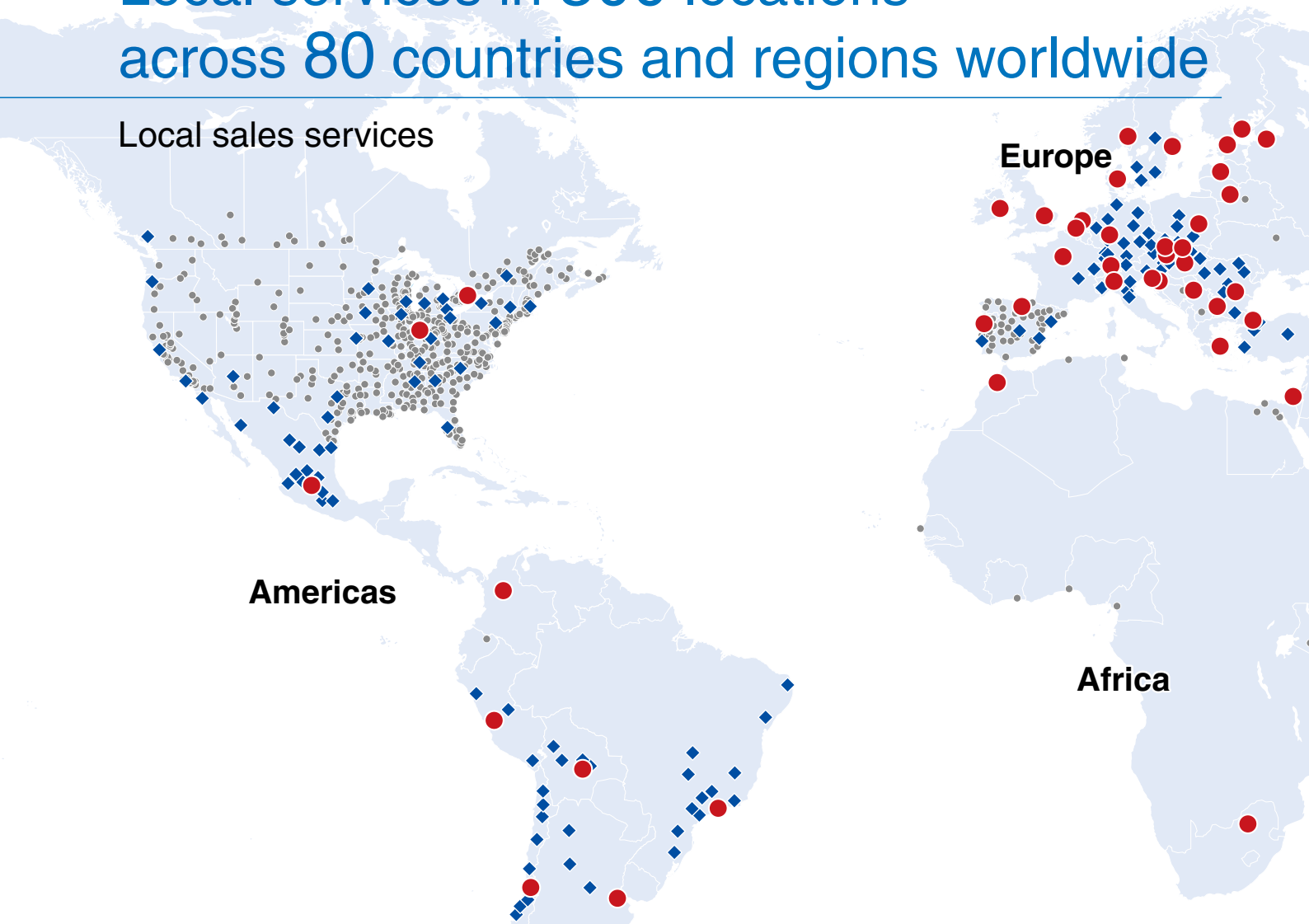
# Global Sales Network

## The sales network in about 80 countries and regions is supported by 8300 global sales staff members.

Through our overseas network, SMC has established a solid reputation as a reliable international brand and currently holds the largest global market share of over 35%. 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.

## Local services in 500 locations across 80 countries and regions worldwide

### Local sales services




### ●Subsidiaries

**Americas**

- ★ Argentina
- Bolivia
- ★ Brazil
- Canada
- ★ Chile
- Colombia
- ★ Mexico
- Peru
- ★ United States of America

**Europe/Africa**

- ★ Austria
- Belgium
- Bulgaria
- Croatia
- ★ Czech Republic
- Denmark
- Estonia
- Finland
- ★ France
- ★ Germany
- Greece
- Hungary
- Ireland
- ★ Italy
- Kazakhstan
- Latvia
- Lithuania
- Morocco
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- ★ Russia
- Serbia
- Slovakia
- Slovenia
- ★ South Africa
- ★ Spain
- Sweden
- ★ Switzerland
- ★ Turkey
- ★ United Kingdom

## Managing client data through Sales Connect (CRM)

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


**Middle East**

Israel
United Arab Emirates

**Asia/Oceania**

- ★ Australia
- Cambodia
- ★ China
- ★ Hong Kong
- ★ India
- ★ Indonesia
- ★ Japan
- ★ Korea
- ★ Malaysia
- Myanmar
- ★ New Zealand
- ★ Philippines
- ★ Singapore
- ★ Taiwan
- ★ Thailand
- ★ Vietnam

Global network address list

★ Production facility

* The names of countries and regions listed in each area are alphabetically indexed.
** This list only contains countries/regions with a wholly owned subsidiary.

# Global Information Security

## Strengthening our management system to assure that our customers' vital information is utilized in the safest manner possible is a top priority.

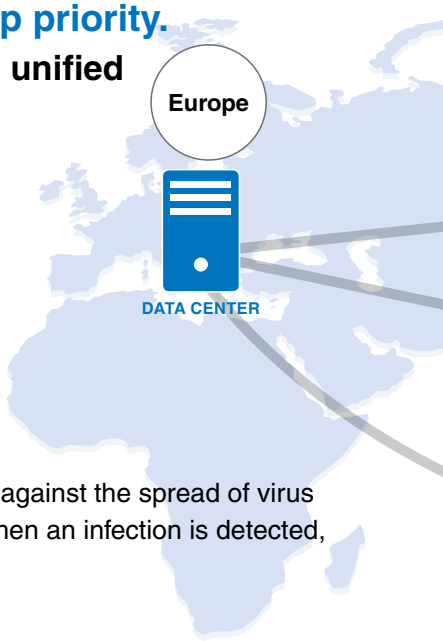
### Strengthened information security with a globally maintained unified infrastructure

(Server, Firewall, Network Equipment, PCs, Security Tools)

### Prevention of cyber attacks, automatic detection, and strengthening of the monitoring system

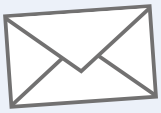
### Installation of data centers to establish a disaster recovery*1 system

- Implementation of strong security measures within several unified data centers
- We'll build the latest disaster recovery system to detect and take countermeasures against the spread of virus and cyber attacks. The system will constantly monitor for malware and intruders. When an infection is detected, the system will recover in a short time span due to system redundancy.




*1 A "Disaster Recovery" refers to a disaster preparation plan for a rapid recovery and repair of a system after a catastrophic failure due to natural disasters such as earthquakes, tsunamis, or manmade disasters from terrorism and unauthorized intrusions, etc. This plan maximizes efficiencies and minimizes downtime for early recovery.

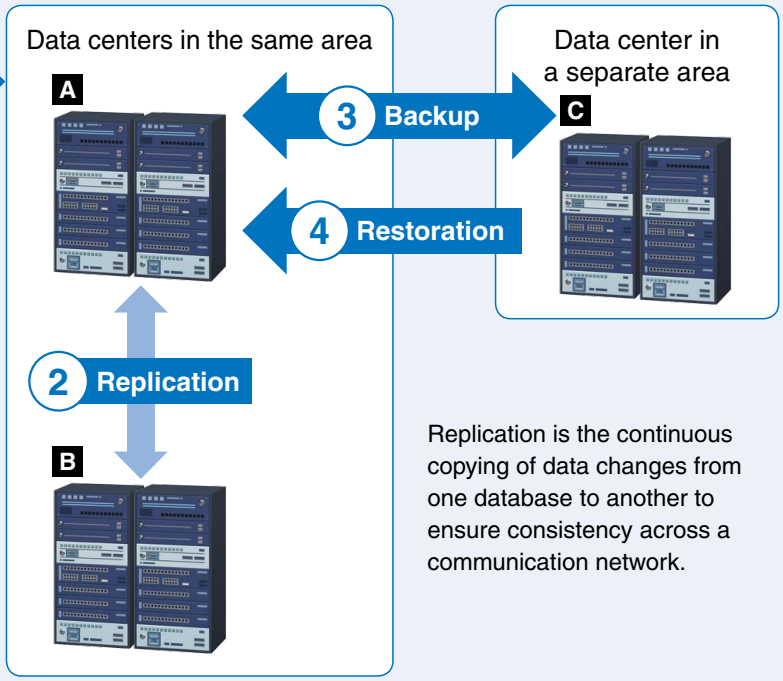
**Email Security**



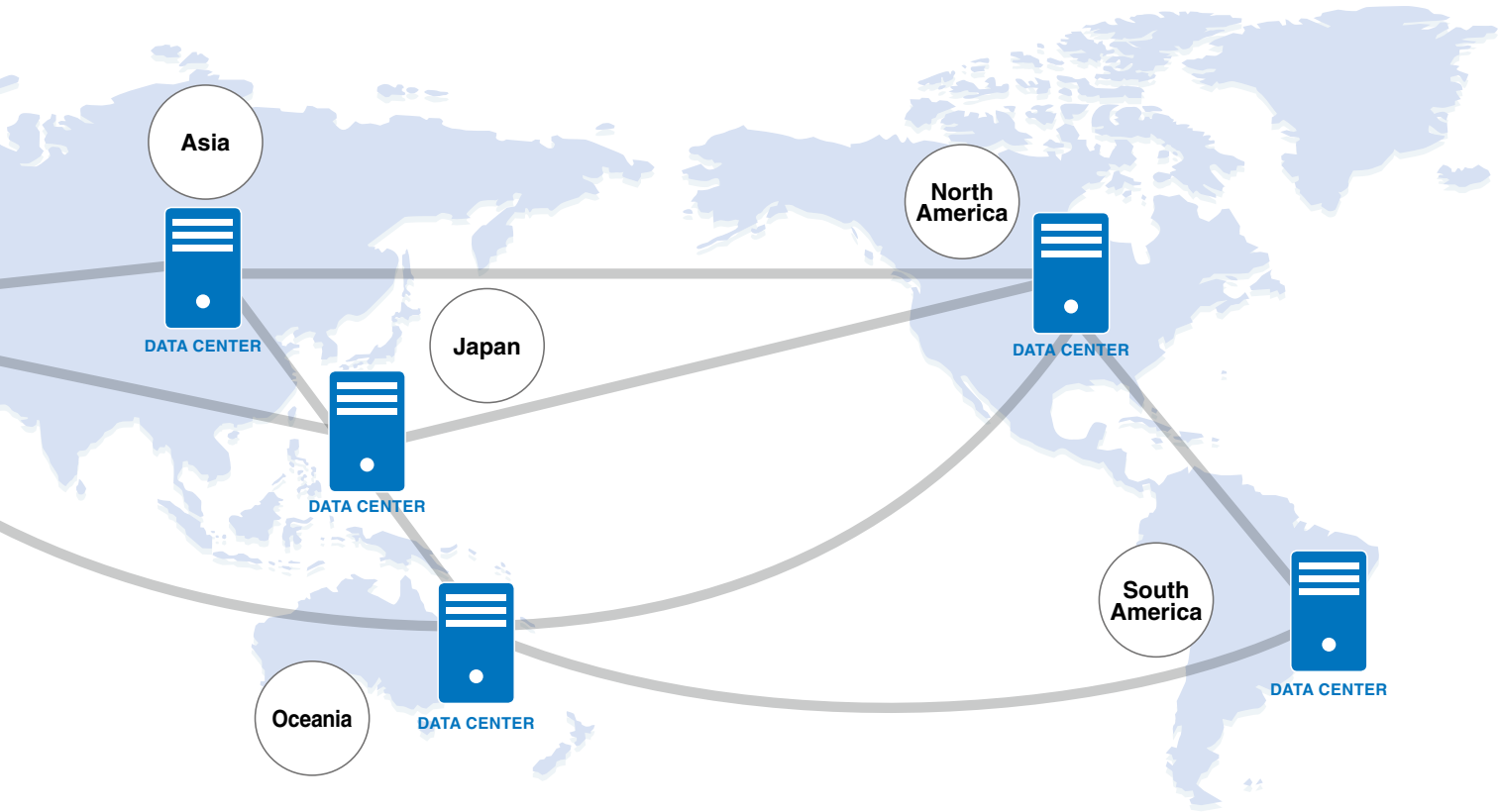
1 High security

**Client Security**

| | |
|---|---|
| Cyber Hygiene | An environment that makes it difficult for cyber incidents to occur is created through the strict cyber hygiene management of all PCs. |
| Management | Password and information leaks are prevented by managing the passwords of each employee. |
| Protection | Various measures are taken to protect PCs and servers against cyberattacks and prevent the spreading of viruses. |
| Incident Handling | With the help of specialists, incident analysis and processing is conducted. Progress and results are stored until the incident has been completely dealt with. |
| Education | The "human firewall" is strengthened by raising awareness of information security among employees. |




Replication is the continuous copying of data changes from one database to another to ensure consistency across a communication network.

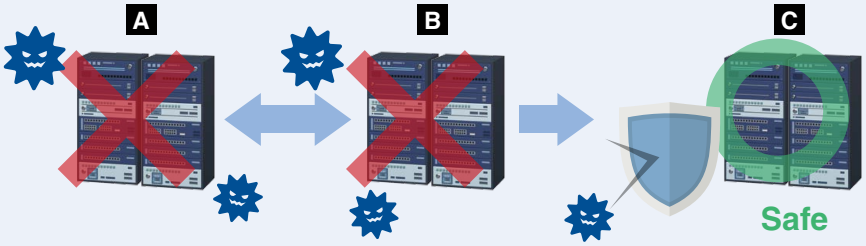



## When a disaster occurs



If system troubles occur in one location due to a disaster, another location can offer backup via the replication data. And in regular times, it is useful for load sharing.

## When a cyberattack occurs




Should the servers in locations **A** and **B** face system troubles due to a cyberattack, they can be restored quickly using backup data from location **C**.

* Due to replication, the servers in locations **A** and **B** will face the same system troubles in the case of a cyberattack.

# Great East Japan Earthquake Response: Kamaishi Factory

**Magnitude 7 earthquakes were not a rare occurrence in the Kamaishi area. Because of this, countermeasures had already been implemented when the Great East Japan Earthquake hit, allowing us to minimize damage and promptly restore production afterward. (Production resumed within 8 days of the quake.)**

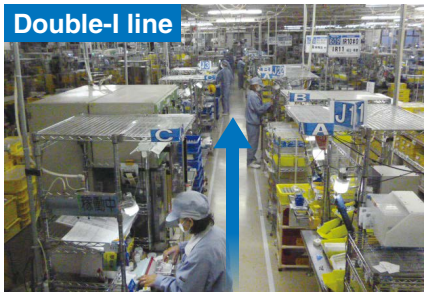
## 1 Infrastructure

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.

## 2 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**


- **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) |
|---|---|---|---|---|---|
| Japan | Soka Factory (Saitama Pref.) | Upper 6 to 7*2 | Lower 6*2 | Slightly high | 5 |
| | Tsukuba Factory (Ibaraki Pref.) | | | No | 19 (9.8)*1 |
| | Kamaishi Factory (Iwate Pref.) | | | | 12 |
| | Yamatsuri Factory (Fukushima Pref.) | | | | 158 |
| | Tono Factory (Iwate Pref.) | | Upper 5*2 | | 360 |
| | Shimotsuma Factory (Ibaraki Pref.) | | Lower 6*2 | | 28 |
| | ◇Japan Technical Center (Ibaraki Pref.) | | | | 16 |
| | ◇Head Office (Tokyo) | | | Slightly high | 5 |
| China | Beijing Factory | 8 degrees | — | No | 28 |
| | Tianjin Factory | | | | 3.8 |
| Singapore | Singapore Factory (Jurong) | No | No | No | 4.5 |
| India | India Factory (Noida) | Zone 4 standards | Zone 4/IS standards (MSKVIII) | No | 200 |
| Vietnam | Vietnam Factory (Ho Chi Minh) | Set according to local seismic force standards Seismic force of 0.0374 | No | No | 40 |
| Czech Republic | Czech Factory (Vyškov) | 3 to 4 | No | No | 254 |

*1 The value in brackets is for the Tsukuba 3rd Factory.
◇Non-factory locations included for reference purposes

| | | | | | |
|---|---|---|---|---|---|
| United States of America | U.S. Factory (Indiana) | B standards | B standards | NEHRP standards C/D | 236 |
| Korea | Korea Factory (Daejeon) | Standards for seismic intensities of 6*2 | Standards for seismic intensities of 6*2 | No | 36 |

*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. |

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BCP
Formulated