

SMC Group Code of Conduct

SMC Corporation (“Company”) has established the following SMC Group Code of Conduct (this “Code of Conduct”) based on “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) (“we”, “our” or “us”) of SMC Group companies.

The Company also requests SMC Group companies’ suppliers (including service providers) to respect the purpose of this Code of Conduct.

1. To comply with laws and rules

We will carry out our company’s activities in a fair manner, in compliance with and with knowledge of the purpose of all the relevant Japanese and overseas laws and ordinances, regulations, and ethical standards.

[More specifically, matters to be complied with by us in relation to 1. above are as follows.]

- (1) **We will not act against any laws and regulations or any other rules not only in the course of our company’s business but also in daily life.**
- (2) **We will not personally misappropriate the property of our company or intend to generate profit either for ourselves or for any third party by exploiting our position or duties at our company.**
 - In addition, we will not conduct any act which may be suspected as commingling personal affairs with our company’s business.
- (3) **We will not act against any laws and regulations or any other rules as well as international rules on security export control.**
- (4) **We will strive for responsible sourcing of minerals.**
 - With regard to minerals from conflict-affected and high-risk areas, in order to prevent furtherance of human rights abuses, violence and other wrongdoings by non-government armed groups, we exert our commercially reasonable efforts to the maximum extent towards the establishment of responsible supply chains, with the assistance of the suppliers.
- (5) **We will not conduct any act that is against business morality or ethics, even if such act does not violate any laws and regulations or any other rules.**

2. To earn trust from customers and counterparties

We will compete in a free and fair manner. In addition, we will strive to earn trust from customers by adequately providing products, services and correct product information that address customers' needs.

We will establish relationship of mutual trust among us, our company and its counterparties through free and fair business relations, and aim to realize mutual development of our company and the counterparties.

[More specifically, matters to be complied with by us in relation to 2. above are as follows.]

(1) We will keep the customer-first policy and strive to provide excellent products and services.

- We will respond to customers' requests with sincerity, with an approach of addressing all kinds of requests from customers.
- We will accurately understand customers' needs through close communication with customers.
- We will put efforts into the area of research and internal training in order to cultivate the advanced technologies that are trusted by customers.

(2) We will pay attention to the safety of the products and endeavor to take appropriate safety-related measures.

(3) We will not engage in any unfair trade practice, such as that in violation of the relevant antitrust laws.

(3)-1 We will carry out transactions with customers in a fair manner.

- We will make an appropriate representation or display of products and services and conduct appropriate advertising activities.
- We will not offer improper entertainment or gifts or otherwise provide benefits to customers.

(3)-2 We will carry out transactions with distributors in a fair manner.

- We will not engage in any unfair trade practice, such as an act of resale price maintenance with distributors.

(3)-3 We will carry out transactions with suppliers in a fair manner.

- We will not engage in any unfair trade practice with suppliers by exploiting our position as a purchaser or an orderer.
- We will not accept improper entertainment or gifts or otherwise receive benefits from suppliers.

(3)-4 We will compete in a fair manner.

- We will not make unlawful arrangements with competitors. We will not make unnecessary contacts with competitors.
- We will not unlawfully obtain or use other companies' trade secrets.
- We will not conduct any act which unlawfully obstructs competitors' business operation.

(4) We will respect intellectual properties of customers, other companies and individuals, and at the same time maintain intellectual properties and brand of SMC Group.

- (5) **We will conduct strict management of not only trade secrets and personal information of customers and business counterparties, but also those of our company.**

3. To win the support and understanding of shareholders and investors

We will put efforts into fair and transparent business management through disclosure of necessary corporate information in an accurate and timely manner, unless restricted by law, to win the understanding and support of shareholders and investors.

[More specifically, matters to be complied with by us in relation to 3. above are as follows.]

- (1) **We will conduct accounting treatment and preparation and filing of tax reports in a lawful and appropriate manner.**
- (2) **We will disclose corporate information in an accurate and timely manner and will not engage in insider trading.**

4. To respect the personality of our company's employees, to prohibit discrimination and to create pleasant environment at workplace

We will strive to maintain a safe and pleasant work environment where the employees respect the personality and individuality of each other, have their own motivation and can demonstrate their abilities without experiencing unreasonable discrimination based on nationality, race, ethnicity, faith, religion, sex or any other personal attribution.

[More specifically, matters to be complied with by us in relation to 4. above are as follows.]

- (1) **We will respect the personality of each other and will not unjustifiably discriminate against each other.**
 - We will not unjustifiably discriminate against each other or against any other relevant person in hiring, promoting and assessing the relevant persons based on nationality, race, color of skin, family history, ethnicity, faith, religion, marital status, sex, handicap, sexual orientation, birthplace, social status or any other personal attribution.
 - We will strive to maintain a work environment free from any inhumane act, such as an act of abuse including sexual harassment and power harassment, and excessive punishment.
- (2) **We will not permit child labor, forced labor or excessive labor.**
 - We will not enter into an employment contract with minors under the age at which they are legally permitted to work.
 - We will strive to maintain a work environment free from labor which unjustifiably puts restraints on the employees' mental and physical freedom, which is under extremely poor environment, and which is excessively heavy.
 - We will strive to prevent occurrence of the employees' health damage due

to excessive overtime work.

(3) We will strive to conduct adequate management of working hours and wages.

- When we work overtime, such will be done under permission and order of our superiors, and to the extent permitted by the labor-management agreement.
- We will not enter into an employment contract with anyone for wages less than the amount of legal minimum wage.

(4) We will strive to ensure the safety and sanitation of the workplace.

(4)-1 We will work on safety measures for machine equipment and work environment.

(4)-2 We will work on sanitation measures (including measures concerning specified chemical substances).

(4)-3 We will establish a disaster prevention scheme as well as reporting system and recovery plans in the event of a disaster, and take the appropriate responses.

- We will place top priority on ensuring safety of life and body in the event of a disaster.
- We will establish a system which enables us to continue business operation so as not to cause trouble to customers.

5. To communicate with society

We will consider the needs of society and disclose necessary corporate information in a timely manner in order to widely communicate with society as a good corporate citizen.

Moreover, we will aim to coexist with the local community by cooperating in activities which contribute to the development of the region and the comfortable and safe lives of people living there.

[More specifically, matters to be complied with by us in relation to 5. above are as follows.]

(1) We will respect culture and customs of local communities and aim to coexist in harmony with such communities.

(2) We will make an appropriate contribution to academic and industrial development.

- We will support academic researches and industrial developments and publish the result of researches, among others, to the extent which does not obstruct our company's corporate activities, in order to fulfill our company's social responsibility as a global company.

(3) We will promptly disclose any information directly affecting local communities.

- We will promptly notify local residents, municipalities, related agencies and any other relevant party of information on fire, accidents or any other relevant incidents that occurred within our company's business facilities.

- (4) We will not use language or behavior, conduct advertising activities, or conduct any other relevant act which may damage personality of others or dignity of SMC Group.

6. To maintain good relationship with governmental and administrative agencies

We will maintain sound and transparent relationship with governmental and administrative agencies so as not to contravene the relevant laws and regulations or social common sense.

[More specifically, matters to be complied with by us in relation to 6. above are as follows.]

- (1) We will not make any inappropriate political donations or contributions, or inappropriately support specific political parties or candidates.
- (2) We will not offer improper entertainment, gifts or otherwise give benefits to public officers whether in Japan or overseas.

7. To adequately deal with anti-social forces, groups and any other relevant party

We will not have any relationship with anti-social forces, groups or individuals which are likely to obstruct social order and sound corporate activities.
We will take a firm attitude against their demands and will not respond to any unreasonable demands.

[More specifically, matters to be complied with by us in relation to 7. above are as follows.]

- (1) We will not have any relationship with anti-social forces regardless of the form of relationship, such as by delivery of money, subscribing to magazines or the like, or carrying out transactions with entities related thereto.
- (2) We will not ask for help from anti-social forces in order to resolve business or personal troubles.

8. To work on environmental issues

We will recognize that preservation of global environment is an essential condition for our company's existence and activities as well as a common issue for all humanity. We will work on preserving and improving the environment where people can live safely with rich nature.

[More specifically, matters to be complied with by us in relation to 8. above are as follows.]

- (1) We will strive to develop and supply environment-friendly products.
- (2) We will consider protection of environment throughout the whole process of business operation.

- We will comply with regulations on banned substances.
- We will ensure proper water drainage and air exhaustion, and disposal of waste, and will work on reducing waste.
- We will ensure saving of natural resources and energy.

9. To set corporate ethical structure proactively

Our company's officers will recognize that it is their role to realize the spirit of the "SMC Group Ethical and Corporate Principles". They will make their role thoroughly known to the relevant parties by demonstrating leadership and will establish effective in-house systems. In the case where a situation contrary to these principles arises, the officers will, by themselves, strive to investigate the causes, resolve the problems and prevent recurrence of similar incidents, as well as imposing heavy penalties on anyone involved therein including themselves.

[More specifically, matters to be complied with by us in relation to 9. above are as follows.]

(1) We will work on compliance issues with the initiative of compliance committee.

- The officers will establish a compliance committee which shall be comprised of top-management members. The committee will establish compliance systems, revise guidelines and other relevant rules, implement education and respond to any occurrence of problems, among others.
- The employees will also gain understanding of SMC Group's policies and work on compliance issues proactively.

(2) We will put in place and operate a whistle-blowing system in order to prevent and correct any misconduct.

- We will strive to protect whistle-blowers and will prohibit any disadvantageous treatment and harassment toward those who made a justifiable report.

Supplementary Provisions

Enacted on May 1, 2006
Last Amended on August 9, 2019

END

Compliance Committee of SMC Corporation