

Consolidated Financial Highlights for the First Quarter ended June 30, 2021 [under Japanese GAAP]

Company name : **SMC Corporation**
 Stock exchange listing : **Tokyo Stock Exchange First Section**
 Security code : **6273**
 URL : <https://www.smcworld.com/ir/en/>
 Representative : **Yoshiki Takada, President**
 Contact person : **Masahiro Ota, Director and Executive Officer**
 Projected date of filing quarterly report : **August 11, 2021**
 Projected starting date of dividend payment : **—**

1. Consolidated Financial Highlights for the First Quarter ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results

(Millions of yen)

First Quarter ended June 30	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2021	182,774 42.7%	57,384 63.8%	61,366 66.9%	45,963 98.0%
2020	128,052 (5.3%)	35,028 (10.5%)	36,769 0.0%	23,208 (14.2%)

(Note) Comprehensive income 1Q ended June 30, 2021 : ¥ 53,260 million 86.8%
 1Q ended June 30, 2020 : ¥ 28,518 million — %

(Yen)

First Quarter ended June 30	Net income per share	Net income per share (diluted basis)
2021	695.62	—
2020	348.90	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
June 30, 2021	1,582,274	1,413,162	89.1%
March 31, 2021	1,539,871	1,379,987	89.4%

(Reference) Shareholders' equity As of June 30, 2021 : ¥ 1,409,830 million
 As of March 31, 2021 : ¥ 1,376,704 million

2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2021 (Actual)	—	200.00	—	300.00	500.00
2022 (Actual)	—	NA	NA	NA	NA
2022 (Projected)	NA	300.00	—	300.00	600.00

(Note) Revision of dividends forecast during this period : None

3. Forecasts of Consolidated Operating Results for the Year ending March 31, 2022

(Millions of yen, except per share figures)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share (Yen)
Half Year ending September 30, 2021	340,000	34.9%	100,000	53.7%	105,000	53.8%	75,000	62.1%	1,135.07
Year ending March 31, 2022	680,000	23.1%	200,000	30.4%	210,000	22.2%	150,000	23.2%	2,270.15

(Note) Revision of forecasts of operating results during this period : Yes
For its detail, please refer to "Notice on the Revision to the Financial Forecasts", disclosed today, August 11, 2021.

* Notes

- (1) Changes in significant subsidiaries during the first quarter ended June 30, 2021 : None
- (2) Adoption of special accounting methods for presenting quarterly consolidated financial statements : Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 1. Changes in accounting policies applied due to revisions of accounting standards : Yes
 2. Changes in accounting policies other than the above : None
 3. Changes in accounting estimates : None
 4. Retrospective restatement : None

(4) Number of shares issued

1. Number of common shares issued (including treasury shares)

As of June 30, 2021	67,369,359
As of March 31, 2021	67,369,359

2. Number of treasury shares

As of June 30, 2021	1,294,540
As of March 31, 2021	1,294,348

3. Average number of common shares for the three months ended

April 1, 2021 to June 30, 2021	66,074,862
April 1, 2020 to June 30, 2020	66,518,479

(Note) The company's shares held by the Board Benefit Trust (BBT) for the Directors' Stock Compensation Plan (3,000 shares as of March 31, 2021 and as of June 30, 2022) is included in the number of treasury shares, which is excluded in the calculation for the above: 2. Number of treasury shares and 3. Average number of common shares for the three months ended.

These quarterly consolidated financial highlights are not subject to quarterly review procedures by the independent accounting auditor.

Explanation of appropriate use of financial forecasts; other special items

Forecasts are based on information and certain premises that the company considers to be reasonable at the time these consolidated quarterly financial highlights are released.

Some factors could cause actual results to differ from expectations.

1. Qualitative Information about the Quarterly Results

(1) Operating Results

During the period up to the first quarter of the fiscal year 2021 (from April 1, 2021 to June 30, 2021), the economy recovery continued within the U.S. and China with the Coronavirus (COVID-19) vaccine roll out. However, a high degree of future uncertainty remains with the global economy due to the spread of new virus mutations and the intensifying China-U.S. trade tensions.

In spite of this situation, the demands for automatic control equipment within the semi-conductor industry remained high in China and in other regions like Japan, North America, Europe, and in Asia. Even though production was slightly affected by the shortage of semi-conductors, the automotive and machine tools performed well in general with related investments into EV expansion. Also, the food and medical equipment industries also remained strong overall within the market.

Under these circumstances, the SMC group has formulated a group-wide sustainable BCP (Business Continuity Plan) and has taken thorough countermeasures against the COVID-19 outbreak in order to maintain and expand its product supply capabilities. The Group has also continued to take on the development of new products that are smaller, lighter, and with greater energy-saving features. These products are then aggressively promoted through sales teamwork across the globe. As a result, the consolidated net sales for the group were 182,774 million yen (increased by 42.7% from the previous corresponding period) and operating profit was 57,384 million yen (increased by 63.8%) due to the revenue increase. Despite the decrease in interest income, with an impact from the depreciation of the yen against the US dollar, ordinary profit was 61,366 million yen (increased by 66.9%), profit before income taxes was 61,411 million yen (increased by 68.7%), and profit attributable to owners of parent was 45,963 million yen (increased by 98.0%).

ROE became 3.3%, increased by 1.5 points from the previous corresponding period.

(2) Financial Positions

Total assets as of the end of the first quarter of the fiscal year 2021 were 1,582,274 million yen, a 42,402 million yen (2.8%) increase from the previous fiscal year end. The main factors were the increase in retained earnings resulted from the increase in profit, and the increase in notes and accounts receivable - trade resulted from the increase in revenue. With the increased retained earnings, the Company applied increased cash and deposits for aggressive capital expenditures and land acquisition for the construction of the new head office, resulted in an increase in property, plant and equipment.

Total liabilities were 169,111 million yen, increased by 9,228 million yen (5.8%) from the previous fiscal year end, due to the increases in notes and accounts payable - trade resulted from the increase in revenue and the increase in provision for bonuses resulted from the increase in bonuses for the employees.

Total net assets were 1,413,162 million yen, increased by 33,174 million yen (2.4%) from the previous fiscal year end, due to the increases in retained earnings resulted from the increase in profit, and the increase in foreign currency translation adjustment by the weaker yen against the US dollar.

Equity ratio became 89.1%.

(3) Consolidated Forecasts and Other Forward-Looking Information

SMC hereby announces the revision to the consolidated financial forecasts for the half year ending, September 2021 and the full year ending, March 2022, released on May 14, 2021, together with non-consolidated financial forecast, reflecting the large increase in demand around semi-conductor related industry and in China and U.S. regions.

The average exchange rates used for this revision remains same as the previous forecast: 109 yen per US dollar, 130 yen per Euro and 17 yen per Chinese yuan.

For its detail, please refer to "Notice on the Revision to the Financial Forecasts", disclosed today, August 11, 2021.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2021	First Quarter end -Current year As of June 30, 2021
[ASSETS]		
Current assets		
Cash and deposits	629,291	630,048
Notes and accounts receivable-trade	174,934	195,259
Securities	11,256	11,200
Merchandise and finished goods	112,131	108,796
Work in process	21,314	21,529
Raw materials and supplies	115,306	116,679
Other	33,470	22,486
Allowance for doubtful accounts	(751)	(708)
Total current assets	1,096,953	1,105,291
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,450	82,120
Machinery, equipment and vehicles, net	38,515	39,994
Land	38,812	69,067
Other, net	39,761	42,802
Total property, plant and equipment	198,540	233,985
Intangible assets	11,389	11,650
Investments and other assets		
Investment securities	72,383	71,608
Insurance funds	145,373	144,559
Other	16,719	16,772
Allowance for doubtful accounts	(1,488)	(1,592)
Total investments and other assets	232,987	231,346
Total non-current assets	442,917	476,982
Total assets	1,539,871	1,582,274

(Millions of yen)

	Year end -Previous year As of March 31, 2021	First Quarter end -Current year As of June 30, 2021
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	44,091	56,217
Short-term borrowings	1,465	6,708
Income taxes payable	30,029	18,620
Provision for bonuses	3,055	7,013
Provisions	—	962
Other	39,402	43,850
Total current liabilities	118,043	133,374
Non-current liabilities		
Long-term borrowings	9,323	3,981
Provision for retirement benefits for directors	286	273
Provision for share awards for directors	57	68
Retirement benefit liability	6,674	6,675
Other	25,497	24,737
Total non-current liabilities	41,839	35,736
Total liabilities	159,883	169,111
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,335	73,335
Retained earnings	1,277,198	1,303,080
Treasury shares	(59,139)	(59,134)
Total shareholders' equity	1,352,399	1,378,286
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,404	12,004
Foreign currency translation adjustment	12,056	18,711
Remeasurements of defined benefit plans	842	827
Total accumulated other comprehensive income	24,304	31,543
Non-controlling interests	3,283	3,332
Total net assets	1,379,987	1,413,162
Total liabilities and net assets	1,539,871	1,582,274

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	First Quarter ended June 30, 2020 From April 1, 2020 to June 30, 2020	First Quarter ended June 30, 2021 From April 1, 2021 to June 30, 2021
Net sales	128,052	182,774
Cost of sales	66,953	93,875
Gross profit	61,098	88,899
Selling, general and administrative expenses	26,070	31,515
Operating profit	35,028	57,384
Non-operating income		
Interest income	2,016	1,465
Foreign exchange gains	—	1,276
Other	1,136	1,346
Total non-operating income	3,153	4,087
Non-operating expenses		
Interest expenses	34	47
Sales discounts	84	—
Foreign exchange losses	1,257	—
Other	35	58
Total non-operating expenses	1,411	105
Ordinary profit	36,769	61,366
Extraordinary income		
Gain on sale of non-current assets	15	24
Gain on sale of investment securities	4	60
Other	2	6
Total extraordinary income	21	91
Extraordinary losses		
Loss on sale of non-current assets	16	1
Loss on retirement of non-current assets	184	44
Loss on valuation of shares of subsidiaries and associates	104	—
Other	88	0
Total extraordinary losses	393	46
Profit before income taxes	36,398	61,411
Income taxes	13,232	15,389
Profit	23,166	46,022
Profit (loss) attributable to non-controlling interests	(42)	58
Profit attributable to owners of parent	23,208	45,963

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	First Quarter ended June 30, 2020 From April 1, 2020 to June 30, 2020	First Quarter ended June 30, 2021 From April 1, 2021 to June 30, 2021
Profit	23,166	46,022
Other comprehensive income		
Valuation difference on available-for-sale securities	1,270	593
Foreign currency translation adjustment	4,144	6,659
Remeasurements of defined benefit plans, net of tax	(63)	(15)
Total other comprehensive income	5,352	7,238
Comprehensive income	28,518	53,260
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	28,507	53,202
Comprehensive income attributable to non-controlling interests	11	57

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going-concern assumption)

N/A

(Notes in event of significant changes in shareholders' equity)

N/A

(Adoption of special accounting methods for presenting quarterly consolidated financial statements)

(Calculation of income taxes)

As for income taxes, the effective tax rate after applying the tax effect accounting to the profit before income taxes of the fiscal year including this first quarter was reasonably estimated. And income tax was calculated by multiplying the profit before income taxes by this estimated effective tax rate.

Income taxes for some subsidiaries were calculated with effective statutory tax rates instead of estimated effective tax rates. Recoverable amount for deferred tax assets were reasonably estimated.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

From the beginning of this first quarter of the consolidated accounting period, the Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Accounting Standard for Revenue Recognition"), that revenue is recognized in the amount that expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. However, in the case of transactions in which products, etc. are sold to domestic customers by applying the alternative treatment stipulated in Paragraph 98 of the "Implementation Guidance for the Application of Accounting Standards for Revenue Recognition" (ASBJ Implementation Guidance No. 30, March 31, 2020), revenue is recognized at the time of shipping the products, etc., provided that the period from the time of shipment to the time when the control of the products, etc. is transferred to the customers is in the normal period.

Revenues are recorded with the amount which is calculated by deducting returned goods, allowances, and rebates, etc., from the amount agreed upon the contract with the customer. In addition, a part of sales promotion expenses which previously had been included in "selling, general and administrative expenses", and "sales discounts" in "non-operating expenses", are now deducted from the "net sales".

In accordance with the transitional treatment stipulated in Paragraph 84 of the "Accounting Standard for Revenue Recognition", the new accounting policies are applied from and to the balance at beginning of this quarterly consolidated accounting period. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of this first quarterly consolidated accounting period, was added to or subtracted from the retained earnings balance at beginning. However, the new accounting policy has not been applied retrospectively to contracts for which the method set forth in Paragraph 86 of the Accounting Standard for Revenue Recognition has been applied. Substantially all revenue amounts have been recognized in accordance with previous treatment prior to the beginning of this fiscal year.

As a result, the application of these accounting standards do not expect to have a material impact on the quarterly consolidated financial statements.

In accordance with transitional treatment as stipulated in Paragraph 89-2 of the Profit Recognition Accounting Standards, no reclassification was made in the previous consolidated fiscal year by a new presentation method.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standards for quarterly financial statements" (ASBJ Statement No. 12, March 31, 2020), details on the revenues occurred from the contract with customers in the first quarter of the previous fiscal year is not presented.

(Accounting Standard for Fair Value Measurement and Others)

On April 1, 2021, the Company applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019; hereinafter referred to as "Accounting Standard for Fair Value Measurement"), etc., and the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

3. Supplementary Information

(1) Net sales by region

(Millions of yen)

Japan	U.S.	China	Asia (excl. China)	Europe	Other	Total
43,087	20,572	49,134	32,062	30,424	7,494	182,774

(Note) The above figures shows the sales amounts by the location of customers.

Japan, U.S. and China (including Hong Kong) are individually disclosed since they consist 10% or above the consolidated net sales respectively.

(2) Geographic segment information

(Millions of yen)

Japan	North America	Europe	Greater China	Other Asia	Other	Total
44,856	26,028	29,602	52,304	26,977	3,005	182,774

(Note) The above figures shows the sales amounts by the location of the Company and its consolidated subsidiaries. "North America" includes the sales amount of U.S., Canada and Mexico, "Greater China" includes China (including Hong Kong) and Taiwan.

(3) Consolidated Capital expenditures, Depreciation and R&D expenses

(Millions of yen)

	First Quarter ended June 30, 2021		Year ending March 31, 2022 (Forecast)	
Capital expenditures	40,318	771.5%	80,000	191.6%
Depreciation	4,978	14.1%	21,500	15.7%
R&D expenses	5,492	11.0%	22,500	7.8%

(Note) Capital expenditures for the fiscal year ending March 31, 2022 has been changed from the initial forecast (50,000 million yen) to the above amount, which includes the land acquisition expenses for the construction of the new head office that was not included in the forecast at the beginning of the fiscal year.

(4) Foreign currency exchange rates

	First Quarter ended June 30, 2021		Year ending March 31, 2022 (Forecast)
	(average)	(at end)	(average)
U S \$	¥ 109.51	¥ 110.61	¥ 109
E U R	¥ 131.92	¥ 131.63	¥ 130
C N Y	¥ 16.95	¥ 17.12	¥ 17

(5) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	First Quarter ended June 30, 2021	Difference from last year end
Full-time employees (at end)	20,861	242
Temporary employees (average)	5,337	276