

Consolidated Financial Highlights for the Second Quarter ended September 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 : **November 12, 2021**
 Projected starting date of dividend payment : **December 1, 2021**

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

(1) Consolidated Operating Results

(Millions of yen)

| Second Quarter ended September 30 | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|-----------------------------------|----------------|------------------|-----------------|---|
| 2021 | 358,691 42.3% | 118,035 81.5% | 126,074 84.7% | 90,269 95.0% |
| 2020 | 251,993 (4.7%) | 65,045 (11.5%) | 68,272 (6.4%) | 46,281 (13.7%) |

(Note) Comprehensive income 2Q ended September 30, 2021 : ¥ 98,966 million 75.8%
 2Q ended September 30, 2020 : ¥ 56,281 million 535.4%

(Yen)

| Second Quarter ended September 30 | Net income per share | Net income per share (diluted basis) |
|-----------------------------------|----------------------|--------------------------------------|
| 2021 | 1,366.16 | — |
| 2020 | 695.78 | — |

(2) Consolidated Financial Positions

(Millions of yen)

| | Total assets | Net assets | Equity ratio |
|--------------------|--------------|------------|--------------|
| September 30, 2021 | 1,636,467 | 1,458,872 | 88.9% |
| March 31, 2021 | 1,539,871 | 1,379,987 | 89.4% |

(Reference) Shareholders' equity As of September 30, 2021 : ¥ 1,455,452 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) | — | 300.00 | NA | NA | NA |
| 2022 (Projected) | NA | NA | — | 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) |
|-----------------------------------|-----------|-------|------------------|-------|-----------------|-------|---|-------|----------------------------|
| Year ending March 31, 2022 | 700,000 | 26.8% | 218,000 | 42.2% | 228,000 | 32.7% | 163,000 | 33.8% | 2,466.89 |

(Note) Revision of forecasts of operating results during this period : Yes

* Notes

- (1) Changes in significant subsidiaries during the second quarter ended September 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 September 30, 2021 | 67,369,359 |
| As of March 31, 2021 | 67,369,359 |

2. Number of treasury shares

| | |
|--------------------------|-----------|
| As of September 30, 2021 | 1,294,197 |
| As of March 31, 2021 | 1,294,348 |

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

| | |
|-------------------------------------|------------|
| April 1, 2021 to September 30, 2021 | 66,075,009 |
| April 1, 2020 to September 30, 2020 | 66,517,609 |

(Note) The company's shares held by the Board Benefit Trust (BBT) for the Directors' Stock Compensation Plan (3,000 shares as of September 30, 2020 and as of March 31, 2021, and 2,600 shares as of September 30, 2021) 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 six 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

1. The revised forecasts of operating results for the fiscal year ending March 31, 2022 (consolidated) are shown in this release.
2. 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 second quarter of the fiscal year 2021 (from April 1, 2021 to September 30, 2021), the global economy and the capital investment demands within a wide range of industries have seen recoveries along with the Coronavirus (COVID-19) vaccine roll out. However, a high degree of future uncertainty still remains with the re-expansion of the new virus mutations, shortages of semi-conductors, inflation in the prices for raw material, logistics stagnations, power supply shortages in China, and other various issues.

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 affected by the shortages of semi-conductors, the automotive and machine tools performed well in general with capital expenditure investments. Also, the food and medical equipment industries remained strong overall within the market, with new demands for labor-savings and factory automation.

Within these business environment, even though the SMC group's production was slightly affected by part shortages, with the incorporation of BCP (Business Continuity Plan) initiatives, SMC has put forth an effort in maintaining and expanding its product supply capabilities. The Group has also continued to develop new products that are smaller, lighter, and offer more significant energy-saving features. In addition, the Group has continued to aggressively promote these products through its global sales network.

As a result, the consolidated net sales for the Group were 358,691 million yen (increased by 42.3% from the previous corresponding period) and operating profit was 118,035 million yen (increased by 81.5%) due to the revenue increase. Despite the decrease in interest income, with an impact from the depreciation of the yen against the US dollar (which was an appreciation of yen against the US dollar in the previous corresponding period), ordinary profit was 126,074 million yen (increased by 84.7%), profit before income taxes was 125,826 million yen (increased by 85.5%), and profit attributable to owners of parent was 90,269 million yen (increased by 95.0%).

ROE became 6.4%, increased by 2.8 points from the previous corresponding period.

(2) Financial Positions

Total assets as of the end of the second quarter of the fiscal year 2021 were 1,636,467 million yen, a 96,596 million yen increase from the previous fiscal year end. Cash and deposits were 657,270 million yen, a 27,979 million yen increase from the previous fiscal year end due to the increase in profit. Notes and accounts receivable-trade were 194,121 million yen, a 19,187 million yen increase 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 to further enhance the Group's administration functions, resulted in an increase in property, plant and equipment which was 240,065 million yen, a 41,524 million yen increase from the previous fiscal year end.

Total liabilities were 177,595 million yen, increased by 17,712 million yen from the previous fiscal year end. Notes and accounts payable-trade were 53,534 million yen, a 9,442 million yen increase from the previous fiscal year end, resulted from the increase in revenue.

Total net assets were 1,458,872 million yen, increased by 78,884 million yen from the previous fiscal year end, due to the increases in retained earnings resulted from the increase in profit.

Equity ratio became 88.9%.

(3) Consolidated Forecasts and Other Forward-Looking Information

Since the demands in the semiconductor related industries are increasing at a pace far exceeding the Company's expectations, revisions to the consolidated forecast for the fiscal year 2021, announced in the "Notice on the Revision to the Financial Forecasts" issued on August 11, 2021 are made as below.

The average exchange rates for the fiscal year as a premise of the revised forecasts have not changed:

1 US\$ = 109 yen, 1 EUR = 130 yen and 1 CNY = 17 yen.

Revision to consolidated financial forecasts for the fiscal year ending March 31, 2022

(Period from April 1, 2021 through March 31, 2022)

| | Net Sales | Operating Profit | Ordinary Profit | Profit attributable to owners of parent | Net Income per share |
|------------------------------------|------------------------------|------------------------------|------------------------------|---|----------------------|
| Previous Forecasts (A) | (Millions of Yen) 680,000 | (Millions of Yen) 200,000 | (Millions of Yen) 210,000 | (Millions of Yen) 150,000 | (Yen) 2,270.15 |
| Revised Forecasts (B) | 700,000 | 218,000 | 228,000 | 163,000 | 2,466.89 |
| Increased / Decreased Amount (B-A) | 20,000 | 18,000 | 18,000 | 13,000 | — |
| Rate of Change (%) | 2.9 | 9.0 | 8.6 | 8.7 | — |

<Reference>

| | | | | | |
|---|---------|---------|---------|---------|----------|
| Results of the FY 2020 (Year ended March 31, 2021) | 552,178 | 153,355 | 171,827 | 121,790 | 1,831.98 |
|---|---------|---------|---------|---------|----------|

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

| | Year end -Previous year As of March 31, 2021 | Second Quarter end -Current year As of September 30, 2021 |
|--|--|---|
| [ASSETS] | | |
| Current assets | | |
| Cash and deposits | 629,291 | 657,270 |
| Notes and accounts receivable-trade | 174,934 | 194,121 |
| Securities | 11,256 | 11,289 |
| Merchandise and finished goods | 112,131 | 115,671 |
| Work in process | 21,314 | 22,502 |
| Raw materials and supplies | 115,306 | 118,596 |
| Other | 33,470 | 26,756 |
| Allowance for doubtful accounts | (751) | (692) |
| Total current assets | 1,096,953 | 1,145,517 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 81,450 | 87,785 |
| Machinery, equipment and vehicles, net | 38,515 | 40,544 |
| Land | 38,812 | 68,757 |
| Other, net | 39,761 | 42,978 |
| Total property, plant and equipment | 198,540 | 240,065 |
| Intangible assets | 11,389 | 13,588 |
| Investments and other assets | | |
| Investment securities | 72,383 | 72,696 |
| Insurance funds | 145,373 | 149,423 |
| Other | 16,719 | 16,707 |
| Allowance for doubtful accounts | (1,488) | (1,531) |
| Total investments and other assets | 232,987 | 237,296 |
| Total non-current assets | 442,917 | 490,950 |
| Total assets | 1,539,871 | 1,636,467 |

(Millions of yen)

| | Year end -Previous year As of March 31, 2021 | Second Quarter end -Current year As of September 30, 2021 |
|---|---|--|
| [LIABILITIES] | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 44,091 | 53,534 |
| Short-term borrowings | 1,465 | 6,790 |
| Income taxes payable | 30,029 | 32,402 |
| Provision for bonuses | 3,055 | 2,845 |
| Provisions | — | 1,925 |
| Other | 39,402 | 42,664 |
| Total current liabilities | 118,043 | 140,162 |
| Non-current liabilities | | |
| Long-term borrowings | 9,323 | 4,389 |
| Provision for retirement benefits for directors | 286 | 256 |
| Provision for share awards for directors | 57 | 52 |
| Retirement benefit liability | 6,674 | 6,791 |
| Other | 25,497 | 25,942 |
| Total non-current liabilities | 41,839 | 37,433 |
| Total liabilities | 159,883 | 177,595 |
| [NET ASSETS] | | |
| Shareholders' equity | | |
| Share capital | 61,005 | 61,005 |
| Capital surplus | 73,335 | 73,335 |
| Retained earnings | 1,277,198 | 1,347,386 |
| Treasury shares | (59,139) | (59,132) |
| Total shareholders' equity | 1,352,399 | 1,422,594 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11,404 | 12,866 |
| Foreign currency translation adjustment | 12,056 | 19,185 |
| Remeasurements of defined benefit plans | 842 | 806 |
| Total accumulated other comprehensive income | 24,304 | 32,858 |
| Non-controlling interests | 3,283 | 3,419 |
| Total net assets | 1,379,987 | 1,458,872 |
| Total liabilities and net assets | 1,539,871 | 1,636,467 |

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

Quarterly Consolidated Statement of Income

(Millions of yen)

| | Second Quarter ended September 30, 2020 From April 1, 2020 to September 30, 2020 | Second Quarter ended September 30, 2021 From April 1, 2021 to September 30, 2021 |
|--|---|---|
| Net sales | 251,993 | 358,691 |
| Cost of sales | 133,533 | 176,187 |
| Gross profit | 118,460 | 182,503 |
| Selling, general and administrative expenses | 53,415 | 64,467 |
| Operating profit | 65,045 | 118,035 |
| Non-operating income | | |
| Interest income | 3,935 | 3,025 |
| Foreign exchange gains | — | 3,076 |
| Other | 1,799 | 2,221 |
| Total non-operating income | 5,735 | 8,322 |
| Non-operating expenses | | |
| Interest expenses | 73 | 98 |
| Sales discounts | 165 | — |
| Foreign exchange losses | 1,931 | — |
| Other | 337 | 186 |
| Total non-operating expenses | 2,508 | 284 |
| Ordinary profit | 68,272 | 126,074 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 81 | 47 |
| Gain on sale of investment securities | 7 | 73 |
| Other | 6 | 14 |
| Total extraordinary income | 95 | 135 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 31 | 6 |
| Loss on retirement of non-current assets | 247 | 145 |
| Impairment losses | — | 214 |
| Other | 245 | 17 |
| Total extraordinary losses | 525 | 383 |
| Profit before income taxes | 67,843 | 125,826 |
| Income taxes | 21,688 | 35,415 |
| Profit | 46,154 | 90,410 |
| Profit (loss) attributable to non-controlling interests | (127) | 141 |
| Profit attributable to owners of parent | 46,281 | 90,269 |

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Second Quarter ended September 30, 2020 From April 1, 2020 to September 30, 2020 | Second Quarter ended September 30, 2021 From April 1, 2021 to September 30, 2021 |
|--|---|---|
| Profit | 46,154 | 90,410 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,570 | 1,450 |
| Foreign currency translation adjustment | 8,682 | 7,135 |
| Remeasurements of defined benefit plans, net of tax | (126) | (30) |
| Total other comprehensive income | 10,126 | 8,556 |
| Comprehensive income | 56,281 | 98,966 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | 56,327 | 98,822 |
| Comprehensive income attributable to non-controlling interests | (46) | 144 |

(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 second quarter was reasonably estimated. And income taxes were 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 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.

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 the first 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 the 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 Accounting Standard for Revenue Recognition, 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 second quarter of the previous fiscal year is not presented.

(Application of 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 |
|--------|--------|--------|-----------------------|--------|--------|---------|
| 86,246 | 40,452 | 96,079 | 62,346 | 58,778 | 14,787 | 358,691 |

(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 |
|--------|---------------|--------|---------------|------------|-------|---------|
| 90,011 | 51,157 | 57,044 | 102,230 | 52,001 | 6,245 | 358,691 |

(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)

| | Second Quarter ended September 30, 2021 | | Year ending March 31, 2022 (Forecast) | |
|----------------------|--|--------|---------------------------------------|--------|
| | | | | |
| Capital expenditures | 53,451 | 377.0% | 80,000 | 191.6% |
| Depreciation | 9,736 | 8.9% | 21,500 | 15.7% |
| R&D expenses | 11,241 | 10.4% | 22,500 | 7.8% |

(4) Foreign currency exchange rates

| | Second Quarter ended September 30, 2021 | | Year ending March 31, 2022 (Forecast) |
|--------|---|----------|--|
| | (average) | (at end) | (average) |
| U S \$ | ¥ 109.81 | ¥ 111.95 | ¥ 109 |
| E U R | ¥ 130.87 | ¥ 129.90 | ¥ 130 |
| C N Y | ¥ 16.98 | ¥ 17.29 | ¥ 17 |

(5) Consolidated Full-time employees and Temporary employees

(Number of personnel)

| | Second Quarter ended September 30, 2021 | Difference from last year end |
|-------------------------------|--|-------------------------------|
| Full-time employees (at end) | 21,075 | 456 |
| Temporary employees (average) | 5,416 | 355 |