

Consolidated Financial Highlights for the First Quarter ended June 30, 2022 [under Japanese GAAP]

Company name : **SMC Corporation**
 Stock exchange listing : **Tokyo Stock Exchange, Prime Market**
 Security code : **6273**
 URL : <https://www.smeworld.com/ir/en/>
 Representative : **Yoshiki Takada, President**
 Contact person : **Masahiro Ota, Director and Executive Officer**
 Projected date of filing quarterly report : **August 10, 2022**
 Projected starting date of dividend payment : **—**

1. Consolidated Financial Highlights for the First Quarter ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results

(Millions of yen)

First Quarter ended June 30	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
2022	211,359	15.6%	67,975	18.5%	104,008	69.5%	75,403	64.1%
2021	182,774	42.7%	57,384	63.8%	61,366	66.9%	45,963	98.0%

(Note) Comprehensive income 1Q ended June 30, 2022 : ¥ 134,359 million 152.3%
 1Q ended June 30, 2021 : ¥ 53,260 million 86.8%

(Yen)

First Quarter ended June 30	Net income per share	Net income per share (diluted basis)
2022	1,154.01	—
2021	695.62	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
June 30, 2022	1,945,394	1,664,227	85.4%
March 31, 2022	1,769,951	1,559,274	87.9%

(Reference) Shareholders' equity As of June 30, 2022 : ¥ 1,660,590 million
 As of March 31, 2022 : ¥ 1,555,628 million

2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2022 (Actual)	—	300.00	—	450.00	750.00
2023 (Actual)	—	NA	NA	NA	NA
2023 (Projected)	NA	450.00	—	450.00	900.00

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

3. Forecasts of Consolidated Operating Results for the Year ending March 31, 2023

(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, 2022	402,500	12.2%	127,500	8.0%	132,500	5.1%	94,000	4.1%	1,438.62
Year ending March 31, 2023	805,000	10.7%	255,000	11.9%	265,000	(2.9%)	188,000	(2.6%)	2,877.24

(Note) Revision of forecasts of operating results during this period : None

* Notes

- (1) Changes in significant subsidiaries during the first quarter ended June 30, 2022 : 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, 2022	67,369,359
As of March 31, 2022	67,369,359

2. Number of treasury shares

As of June 30, 2022	2,029,049
As of March 31, 2022	2,029,013

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

April 1, 2022 to June 30, 2022	65,340,339
April 1, 2021 to June 30, 2021	66,074,862

(Note) The company's shares held by the Board Benefit Trust (BBT) for the Directors' Stock Compensation Plan (3,000 shares as of June 30, 2021 and 2,600 shares as of March 31, 2022, 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 2022 (from April 1, 2022 to June 30, 2022), the global economy and capital investment demands within a wide range of industries have seen recoveries from the economic impacts due to the Coronavirus (COVID-19) outbreak. However, a high degree of future uncertainty has continued with supply chain disruptions mainly with the shortage of parts and raw materials in semi-conductors, a large-scale lockdowns in China with the zero-covid strategy, high price energy inflation triggered by the Russian invasion of Ukraine, and accelerating inflation in the U.S.

The demand for automatic control equipment within the semi-conductor and electronic industries has remained high within China, other regions in Asia, and in Japan. The demand within the automotive industry increased related to batteries for the electric vehicles in China and in the U.S. The demand for machine tools has also done well in the global market outside Japan, and the food, medical equipment manufacturing and other industries have remained strong in the market.

Within this business environment, the SMC Group has continued to strive to avoid the impacts of part and raw material shortages on its production capabilities. At the same time, SMC has continued to make aggressive capital investments to secure its product supply capabilities in order to meet its customers' demands, and create multi-location production facilities to withstand disasters based on their BCP (Business Continuity Plan) initiatives. In addition, SMC has also continued to develop new products with highly environmentally friendly features which contribute to a significant CO2 emission reduction for its customers, and has strived to strengthen its global sales collaboration with its IT infrastructure.

As a result, the consolidated net sales of SMC were 211,359 million yen (increased by 15.6% from the previous corresponding period) mainly from increase in sales quantity and increase in revenue from the foreign exchange fluctuations for the sales in overseas. Operating profit was 67,975 million yen (increased by 18.5%) due to the revenue increase, in spite of the increases in selling, general and administrative expenses mainly from personnel cost increase. Ordinary profit was 104,008 million yen (increased by 69.5%), with the increase in interest income from the interest rate increase in the market and increase from depreciation of the yen. With the sale of investment securities, profit before income taxes was 106,182 million yen (increased by 72.9%), and profit attributable to owners of parent was 75,403 million yen (increased by 64.1%).

ROE became 4.7%, increased by 1.4 points from the previous corresponding period.

(2) Financial Positions

Total assets as of the end of the first quarter of the fiscal year 2022 were 1,945,394 million yen, a 175,443 million yen increase from the previous fiscal year end. Cash and deposits were 720,290 million yen, a 35,455 million yen increase from the previous fiscal year end due to the increase in profit and gains from the foreign exchange on the foreign currency deposits. Notes and accounts receivable-trade were 241,510 million yen, a 29,571 million yen increase resulted from the increase in revenue and revenue from the exchange fluctuations on the sales in overseas. Inventories were 338,871 million yen, a 35,325 million yen increase from the previous fiscal year end, by increasing product inventories to correspond to the high demands and by strategically increasing parts and raw material inventories to overcome recent constraints on supply chains. Property, plant and equipment was 298,886 million yen, a 28,301 million yen increase from the previous fiscal year end, by further increasing investments for the production and logistics facilities within and outside of Japan, from the perspectives to secure productions capabilities in order to correspond to the rising demands and to enforce BCP to enhance its sustainable capability of supplying its products. SMC also acquired land for the construction of the new building for SMC's core technical center in Tsukuba since it is becoming old as to further enhance its engineering functions and to attract talented engineering staffs.

Total liabilities were 281,167 million yen, increased by 70,489 million yen from the previous fiscal year end. Notes and accounts payable-trade were 73,437 million yen, a 11,335 million yen increase from the previous fiscal year end, resulted from the procurement increase from the increase in sales. Other under current liabilities was 116,238 million yen, a 66,059 million yen increase from the increased outstanding balance on the purchase of securities.

Total net assets were 1,664,227 million yen, increased by 104,953 million yen from the previous fiscal year end, due to the increases in retained earnings resulted from the increase in profit, and 147,288 million yen, a 59,395 million yen increase in foreign currency translation adjustment from the depreciation of yen.

Equity ratio became 85.4%, decreased by 2.5 point from the previous fiscal year end.

(3) Consolidated Forecasts and Other Forward-Looking Information

Even though there is still an assumption that the Coronavirus (COVID-19) will re-expand, each and every factory within the SMC has been taking thorough measures to prevent the spread of infections and continuing its normal operations. In addition, our factories in China are out of the scope of the lockdown so the effect has been limited.

Regarding the Russian invasion of Ukraine, the business within the conflict region only consists 0.8% of the consolidated sales and the 0.6% of the consolidated assets and consolidated net assets respectively, that impact on the SMC's business is limited. As the G7 and its allies are tightening the sanctions against Russia, SMC have brought its exports to Russia to a complete standstill. SMC will continue to act cautiously in complying with each countries' laws and regulations.

There is no change to the consolidated forecast for the fiscal year 2023, announced in the "Consolidated Financial Highlights for the Year ended March 31, 2022 [under Japanese GAAP]" issued on May 13, 2022.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2022	First Quarter end -Current year As of June 30, 2022
[ASSETS]		
Current assets		
Cash and deposits	684,834	720,290
Notes and accounts receivable-trade	211,939	241,510
Securities	12,219	13,541
Merchandise and finished goods	130,829	144,085
Work in process	25,574	28,460
Raw materials and supplies	147,141	166,325
Other	46,769	33,474
Allowance for doubtful accounts	(901)	(932)
Total current assets	1,258,406	1,346,755
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	91,705	106,149
Machinery, equipment and vehicles, net	41,988	44,203
Land	74,775	83,631
Other, net	62,115	64,901
Total property, plant and equipment	270,584	298,886
Intangible assets	15,183	16,417
Investments and other assets		
Investment securities	58,750	113,455
Insurance funds	150,797	152,439
Other	17,892	19,179
Allowance for doubtful accounts	(1,664)	(1,738)
Total investments and other assets	225,776	283,335
Total non-current assets	511,545	598,639
Total assets	1,769,951	1,945,394

(Millions of yen)

	Year end -Previous year As of March 31, 2022	First Quarter end -Current year As of June 30, 2022
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	62,101	73,437
Short-term borrowings	6,987	7,224
Income taxes payable	44,783	34,901
Provision for bonuses	5,350	8,256
Provisions	—	442
Other	50,179	116,238
Total current liabilities	169,403	240,501
Non-current liabilities		
Long-term borrowings	4,556	4,209
Provision for retirement benefits for directors	270	432
Provision for share awards for directors	65	75
Retirement benefit liability	7,552	7,658
Other	28,829	28,289
Total non-current liabilities	41,274	40,665
Total liabilities	210,677	281,167
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,335	73,335
Retained earnings	1,430,285	1,476,284
Treasury shares	(109,136)	(109,138)
Total shareholders' equity	1,455,489	1,501,486
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,235	10,783
Foreign currency translation adjustment	87,893	147,288
Remeasurements of defined benefit plans	1,010	1,031
Total accumulated other comprehensive income	100,139	159,104
Non-controlling interests	3,645	3,636
Total net assets	1,559,274	1,664,227
Total liabilities and net assets	1,769,951	1,945,394

(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, 2021 From April 1, 2021 to June 30, 2021	First Quarter ended June 30, 2022 From April 1, 2022 to June 30, 2022
Net sales	182,774	211,359
Cost of sales	93,875	105,959
Gross profit	88,899	105,400
Selling, general and administrative expenses	31,515	37,424
Operating profit	57,384	67,975
Non-operating income		
Interest income	1,465	2,140
Foreign exchange gains	1,276	33,404
Other	1,346	736
Total non-operating income	4,087	36,281
Non-operating expenses		
Interest expenses	47	44
Loss on investments in insurance funds	—	185
Other	58	18
Total non-operating expenses	105	248
Ordinary profit	61,366	104,008
Extraordinary income		
Gain on sale of non-current assets	24	27
Gain on sale of investment securities	60	2,224
Other	6	4
Total extraordinary income	91	2,255
Extraordinary losses		
Loss on sale of non-current assets	1	—
Loss on retirement of non-current assets	44	81
Other	0	—
Total extraordinary losses	46	81
Profit before income taxes	61,411	106,182
Income taxes	15,389	30,774
Profit	46,022	75,408
Profit attributable to non-controlling interests	58	4
Profit attributable to owners of parent	45,963	75,403

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	First Quarter ended June 30, 2021 From April 1, 2021 to June 30, 2021	First Quarter ended June 30, 2022 From April 1, 2022 to June 30, 2022
Profit	46,022	75,408
Other comprehensive income		
Valuation difference on available-for-sale securities	593	(496)
Foreign currency translation adjustment	6,659	59,425
Remeasurements of defined benefit plans, net of tax	(15)	21
Total other comprehensive income	7,238	58,950
Comprehensive income	53,260	134,359
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	53,202	134,369
Comprehensive income attributable to non-controlling interests	57	(9)

(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 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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

On April 1, 2022, the Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, Jun 17, 2021; hereinafter referred to as "Implementation Guidance on Accounting Standard for Fair Value Measurement"), and the new accounting policies stipulated within, are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The application has no impact on the quarterly consolidated financial statements.

(Significant subsequent events)

N/A

3. Supplementary Information

(1) Net sales by region

(Millions of yen)

Japan	U.S.	China	Asia (excl. China)	Europe	Other	Total
45,136	25,832	58,471	38,947	34,170	8,801	211,359

(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
46,971	32,703	33,140	62,199	32,369	3,975	211,359

(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, 2022		Year ending March 31, 2023 (Forecast)	
Capital expenditures	22,450	(44.3%)	120,000	43.7%
Depreciation	5,729	15.1%	24,000	16.7%
R&D expenses	6,265	14.1%	25,000	6.6%

(4) Foreign currency exchange rates

	First Quarter ended June 30, 2022		Year ending March 31, 2023 (Forecast)
	(average)	(at end)	(average)
U S \$	¥ 129.72	¥ 136.69	¥ 123.00
E U R	¥ 138.24	¥ 142.65	¥ 133.00
C N Y	¥ 19.60	¥ 20.39	¥ 18.50

(5) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	First Quarter ended June 30, 2022	Difference from last year end
Full-time employees (at end)	22,241	621
Temporary employees (average)	6,284	654