

Consolidated Financial Highlights for the First Quarter ended June 30, 2023 [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 9, 2023**
 Projected starting date of dividend payment : **—**

1. Consolidated Financial Highlights for the First Quarter ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results

(Millions of yen)

First Quarter ended June 30	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2023	198,970 (5.9%)	56,105 (17.5%)	74,801 (28.1%)	52,148 (30.8%)
2022	211,359 15.6%	67,975 18.5%	104,008 69.5%	75,403 64.1%

(Note) Comprehensive income 1Q ended June 30, 2023 : ¥ 109,618 million (18.4%)
 1Q ended June 30, 2022 : ¥ 134,359 million 152.3%

(Yen)

First Quarter ended June 30	Net income per share	Net income per share (diluted basis)
2023	808.49	—
2022	1,154.01	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
June 30, 2023	2,014,705	1,782,885	88.3%
March 31, 2023	1,927,940	1,702,325	88.1%

(Reference) Shareholders' equity As of June 30, 2023 : ¥ 1,778,888 million
 As of March 31, 2023 : ¥ 1,698,413 million

2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2023 (Actual)	—	450.00	—	450.00	900.00
2024 (Actual)	—	NA	NA	NA	NA
2024 (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, 2024

(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, 2023	387,000 (8.2%)	109,000 (18.4%)	118,000 (34.7%)	85,000 (36.1%)	1,317.81
Year ending March 31, 2024	807,000 (2.2%)	233,000 (9.8%)	253,000 (17.3%)	183,000 (18.5%)	2,837.18

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

* Notes

- (1) Changes in significant subsidiaries during the first quarter ended June 30, 2023 : 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 : None
 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, 2023	67,369,359
As of March 31, 2023	67,369,359

2. Number of treasury shares

As of June 30, 2023	2,868,732
As of March 31, 2023	2,868,732

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

April 1, 2023 to June 30, 2023	64,500,627
April 1, 2022 to June 30, 2022	65,340,339

(Note) The company's shares held by the Board Benefit Trust (BBT) for the Directors' Stock Compensation Plan (2,600 shares as of June 30, 2022 and as of March 31, 2023, and as of June 30, 2023) 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 first quarter of this fiscal year (April 1, 2023 to June 30, 2023), the normalization of economic activity from the Coronavirus (COVID-19) pandemic has progressed, but the future remains uncertain due to the continued turmoil in Ukraine, concerns of recession due to the prolonged inflation and rising interest rates in the U.S. and Europe, and concerns of slowdown in economic growth in China after the lifting of the zero-covid strategy.

As for the demand for automatic control equipment, in the semi-conductor and electrical machinery-related industries, smart phones and PC related demand was sluggish, and regions, including Japan, U.S., China and other Asian countries, showed signs of curbing or postponing capital investment, particularly in memory-related industry. The automotive-related demand was relatively firm as the impact of production cutbacks due to shortages of semi-conductors and other components eased, but the growth rate of EV battery-related demand slowed, especially in China. Machine tool-related demand continued to be in an adjustment phase due to the economic slowdown in China and other factors. Sales to medical equipment-related, food machinery-related, and other industries were sluggish, despite new post-covid demand for labor-saving and automation.

Under these circumstances, the SMC Group has continued to strive achieving its medium-term sales target of "JPY 1 Trillion by FY2026" by making aggressive capital investments within and outside of Japan, developing new products which contribute to a significant CO2 emission reduction for its customers, and establishing a BCP system as to improve on its parts procurement capability, and strengthen its global sales collaboration with its IT infrastructure.

Within the business environment described above, the summary of consolidated business results for the first quarter of this fiscal year is as follows.

The consolidated net sales of SMC Group were 198,970 million yen (decreased by 5.9%, yoy), decreased due to the deteriorating market conditions in the semi-conductor market, in spite of increase in revenue from yen depreciation.

Operating profit was 56,105 million yen (decreased by 17.5%, yoy) due to the revenue decrease resulted from decrease in sales volume, increase in personnel costs, increase in depreciation costs in response to increase in investments, and increase in selling, general and administrative expenses resulted from the increased sales activities following the lifting of the Coronavirus restrictions.

Despite the progression of yen depreciation, ordinary profit was 74,801 million yen (decreased by 28.1%, yoy), due to the decreased foreign exchange gains from the relatively slow progression of yen depreciation compared to the same quarter of the previous year. Profit before income taxes was 74,907 million yen (decreased by 29.5%, yoy), and profit attributable to owners of parent was 52,148 million yen (decreased by 30.8%, yoy).

(2) Financial Positions

Total capital in SMC Group's consolidated balance sheet as of the end of the first quarter of this fiscal year was 2,014,705 million yen (an 86,765 million yen increase from the previous fiscal year end). Retained earnings (a 23,121 million yen increase) and foreign currency translation adjustments (a 50,973 million yen increase) have increased within the net assets.

Within the assets, cash and deposits were 565,938 million yen (a 37,632 million yen decrease from the previous fiscal year end), inventories were 465,359 million yen (a 46,757 million yen increase), property, plant and equipment was 348,325 million yen (a 21,330 million yen increase), and investment securities was 165,417 million yen (a 72,996 million yen increase).

(3) Consolidated Forecasts and Other Forward-Looking Information

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, 2023 [under Japanese GAAP]" issued on May 15, 2023.

Since June of 2022, SMC has frozen all exports to and new investments at its Russian subsidiaries. If SMC were to complete a full withdrawal from the Russian market in the future, there is a risk that SMC will not be able to obtain the required permits and approvals from the local authorities to recover SMC's remaining assets within the country. As such, the SMC Group may see damages of up to 11.6 billion yen from the loss of these assets.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2023	First Quarter end -Current year As of June 30, 2023
[ASSETS]		
Current assets		
Cash and deposits	603,570	565,938
Notes and accounts receivable-trade	228,848	232,266
Securities	19,926	21,278
Merchandise and finished goods	165,288	184,426
Work in process	31,388	34,450
Raw materials and supplies	221,925	246,482
Other	53,641	28,806
Allowance for doubtful accounts	(740)	(830)
Total current assets	1,323,848	1,312,819
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	123,752	135,480
Machinery, equipment and vehicles, net	52,097	57,081
Land	87,746	89,131
Other, net	63,399	66,631
Total property, plant and equipment	326,995	348,325
Intangible assets	16,591	17,784
Investments and other assets		
Investment securities	92,420	165,417
Insurance funds	143,902	144,090
Other	25,636	27,834
Allowance for doubtful accounts	(1,454)	(1,565)
Total investments and other assets	260,505	335,776
Total non-current assets	604,092	701,886
Total assets	1,927,940	2,014,705

(Millions of yen)

	Year end -Previous year As of March 31, 2023	First Quarter end -Current year As of June 30, 2023
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	73,636	84,488
Short-term borrowings	7,137	7,186
Income taxes payable	42,435	26,983
Provision for bonuses	5,143	8,929
Provisions	—	435
Other	60,494	62,125
Total current liabilities	188,847	190,148
Non-current liabilities		
Long-term borrowings	5,049	4,658
Provision for retirement benefits for directors	458	563
Provision for share awards for directors	114	127
Retirement benefit liability	7,577	7,716
Other	23,567	28,606
Total non-current liabilities	36,767	41,672
Total liabilities	225,615	231,820
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,342	73,342
Retained earnings	1,596,086	1,619,208
Treasury shares	(164,167)	(164,167)
Total shareholders' equity	1,566,266	1,589,388
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,573	14,040
Foreign currency translation adjustment	120,275	171,248
Remeasurements of defined benefit plans	4,298	4,210
Total accumulated other comprehensive income	132,146	189,500
Non-controlling interests	3,912	3,996
Total net assets	1,702,325	1,782,885
Total liabilities and net assets	1,927,940	2,014,705

(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, 2022 From April 1, 2022 to June 30, 2022	First Quarter ended June 30, 2023 From April 1, 2023 to June 30, 2023
Net sales	211,359	198,970
Cost of sales	105,959	102,542
Gross profit	105,400	96,427
Selling, general and administrative expenses	37,424	40,322
Operating profit	67,975	56,105
Non-operating income		
Interest income	2,140	3,462
Foreign exchange gains	33,404	13,684
Other	736	1,588
Total non-operating income	36,281	18,736
Non-operating expenses		
Interest expenses	44	27
Loss on investments in insurance funds	185	—
Other	18	12
Total non-operating expenses	248	39
Ordinary profit	104,008	74,801
Extraordinary income		
Gain on sale of non-current assets	27	155
Gain on sale of investment securities	2,224	0
Other	4	—
Total extraordinary income	2,255	155
Extraordinary losses		
Loss on retirement of non-current assets	81	48
Other	—	1
Total extraordinary losses	81	49
Profit before income taxes	106,182	74,907
Income taxes	30,774	22,748
Profit	75,408	52,159
Profit attributable to non-controlling interests	4	11
Profit attributable to owners of parent	75,403	52,148

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	First Quarter ended June 30, 2022 From April 1, 2022 to June 30, 2022	First Quarter ended June 30, 2023 From April 1, 2023 to June 30, 2023
Profit	75,408	52,159
Other comprehensive income		
Valuation difference on available-for-sale securities	(496)	6,556
Foreign currency translation adjustment	59,425	50,990
Remeasurements of defined benefit plans, net of tax	21	(87)
Total other comprehensive income	58,950	57,458
Comprehensive income	134,359	109,618
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	134,369	109,502
Comprehensive income attributable to non-controlling interests	(9)	115

(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.

(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
41,864	25,106	51,427	33,181	37,068	10,322	198,970

(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	Greater China	Other Asia	Europe	Other	Total
43,687	33,512	52,906	28,777	35,681	4,404	198,970

(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, 2023		Year ending March 31, 2024 (Forecast)	
Capital expenditures	19,000	(15.4%)	120,000	47.1%
Depreciation	7,041	22.9%	30,000	16.4%
R&D expenses	7,199	14.9%	30,000	9.6%

(4) Foreign currency exchange rates

	First Quarter ended June 30, 2023		Year ending March 31, 2024 (Forecast)
	(average)	(at end)	(average)
U S \$	¥ 137.49	¥ 144.99	¥ 130.00
E U R	¥ 149.57	¥ 157.56	¥ 145.00
C N Y	¥ 19.56	¥ 19.95	¥ 19.00

(5) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	First Quarter ended June 30, 2023	Difference from last year end
Full-time employees (at end)	23,266	278
Temporary employees (average)	5,260	(983)

(Note) The decrease in the number of temporary employees is mainly due to a revision of the definition of temporary employees at overseas subsidiaries.