

## Consolidated Financial Highlights for the Second Quarter ended September 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 : **November 14, 2023**  
 Projected starting date of dividend payment : **December 1, 2023**

### 1. Consolidated Financial Highlights for the Second Quarter ended September 30, 2023 (April 1, 2023 to September 30, 2023)

#### (1) Consolidated Operating Results

(Millions of yen)

Second Quarter ended September 30	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2023	393,551 (6.6%)	105,124 (21.3%)	134,660 (25.5%)	94,735 (28.8%)
2022	421,529 17.5%	133,649 13.2%	180,725 43.3%	133,054 47.4%

(Note) Comprehensive income 2Q ended September 30, 2023 : ¥ 170,507 million (15.9%)  
 2Q ended September 30, 2022 : ¥ 202,662 million 104.8%

(Yen)

Second Quarter ended September 30	Net income per share	Net income per share (diluted basis)
2023	1,468.79	—
2022	2,036.32	—

#### (2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
September 30, 2023	2,073,699	1,843,158	88.7%
March 31, 2023	1,927,940	1,702,325	88.1%

(Reference) Shareholders' equity As of September 30, 2023 : ¥ 1,839,169 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)	—	450.00	NA	NA	NA
2024 (Projected)	NA	NA	—	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)
<b>Year ending March 31, 2024</b>	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 second quarter ended September 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 September 30, 2023	67,369,359
As of March 31, 2023	67,369,359

##### 2. Number of treasury shares

As of September 30, 2023	2,877,377
As of March 31, 2023	2,868,732

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

April 1, 2023 to September 30, 2023	64,498,400
April 1, 2022 to September 30, 2022	65,340,286

(Note) The company's shares held by the Board Benefit Trust (BBT) for the Directors' Stock Compensation Plan (2,600 shares as of September 30, 2022 and as of March 31, 2023, and 11,200 shares as of September 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 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

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 second quarter of this fiscal year (April 1, 2023 to September 30, 2023), the outlook remains uncertain due to the situation of continued turmoil in Ukraine, the global monetary tightening, the delicate U.S.-China relations, and concerns about a slowdown in Chinese economy.

As for the demand for automatic control equipment, in the semi-conductor and electrical machinery-related industries, smart phones and PC related demand remained sluggish, and there was continued restraint and postponement of capital investment in Japan, Asia, and the U.S., particularly in memory-related industry. In the automotive-related industry, global automobile production recovered and large capital investment continued in EV-related areas, mainly in Europe and the U.S. However, the growth rate slowed down in Greater China, partly as a reaction to the brisk business in the same quarter of the previous year. Machine tool-related industry continued to be in an adjustment phase due to the sluggish semi-conductor-related demand and the economic slowdown in China. Sales to medical equipment-related, food machinery-related, and other industries remained 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 and proposing solutions which contribute to a significant CO2 emission reduction for its customers, establishing a BCP system, introducing IT systems to enhance operation streamline, and utilizing its global human resources.

Within the business environment described above, the summary of consolidated business results for the six months ended September 30, 2023 is as follows:

Net sales were 393,551 million yen (decreased by 6.6%, yoy). From the geographic segment point of view, Greater China decreased approximately 20% from the same quarter of the previous year. By customer industry, the continued low tone in the semi-conductor market resulted the decrease in revenue.

Operating profit was 105,124 million yen (decreased by 21.3%, yoy) due to the decrease in sales volume, decrease in gross profit from higher cost ratio, and the increase in selling, general and administrative expenses resulted from the increases in personnel costs, travel expenses, depreciation costs, and R&D expenses.

Ordinary profit was 134,660 million yen (decreased by 25.5%, yoy). In addition to the above-mentioned effects, the main reason for the decrease was due to the foreign exchange gains decrease from the relatively moderate depreciation of the yen compared to the large depreciation of the yen in the same quarter of the previous year.

Profit before income taxes was 135,222 million yen (decreased by 26.3%, yoy). In addition to the above-mentioned effects, although the Company sold investment securities and recorded a gain on the sale of investment securities, the main reason for the decrease was the small sales of investment securities, and profit attributable to owners of parent was 94,735 million yen (decreased by 28.8%, yoy).

## (2) Financial Positions

Total assets in SMC Group's consolidated balance sheet as of the end of the second quarter of this fiscal year was 2,073,699 million yen (a 145,759 million yen or 7.6% increase from the previous fiscal year end). Inventories (a 72,635 million yen increase) increased mainly in raw materials and parts, property, plant and equipment (a 27,505 million yen increase) increased mainly by the capital investment in manufacturing facilities and investment securities (a 73,726 million yen increase) due to the acquisition of additional U.S. treasuries.

Total capital as of the end of the second quarter of this fiscal year was 2,073,699 million yen (a 145,759 million yen or 7.6% increase from the previous fiscal year end). Main increase from the previous fiscal year end were - A 65,708 million yen increase mainly caused by the recorded profit attributable to owners of parent in retained earnings, a 67,670 million yen increase in foreign currency translation adjustment, and an 8,052 million yen increase in deferred tax liabilities.

### **(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 11.2 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	Second Quarter end -Current year As of September 30, 2023
<b>[ASSETS]</b>		
<b>Current assets</b>		
Cash and deposits	603,570	584,405
Notes and accounts receivable-trade	228,848	226,779
Securities	19,926	22,126
Merchandise and finished goods	165,288	195,152
Work in process	31,388	34,464
Raw materials and supplies	221,925	261,620
Other	53,641	35,574
Allowance for doubtful accounts	(740)	(778)
<b>Total current assets</b>	<b>1,323,848</b>	<b>1,359,345</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	123,752	136,070
Machinery, equipment and vehicles, net	52,097	61,935
Land	87,746	89,301
Other, net	63,399	67,192
<b>Total property, plant and equipment</b>	<b>326,995</b>	<b>354,500</b>
<b>Intangible assets</b>	<b>16,591</b>	<b>17,951</b>
<b>Investments and other assets</b>		
Investment securities	92,420	166,497
Insurance funds	143,902	148,517
Other	25,636	28,534
Allowance for doubtful accounts	(1,454)	(1,646)
<b>Total investments and other assets</b>	<b>260,505</b>	<b>341,903</b>
<b>Total non-current assets</b>	<b>604,092</b>	<b>714,354</b>
<b>Total assets</b>	<b>1,927,940</b>	<b>2,073,699</b>

(Millions of yen)

	Year end -Previous year As of March 31, 2023	Second Quarter end -Current year As of September 30, 2023
<b>[LIABILITIES]</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	73,636	72,494
Short-term borrowings	7,137	7,147
Income taxes payable	42,435	34,360
Provision for bonuses	5,143	6,275
Provisions	—	870
Other	60,494	63,501
<b>Total current liabilities</b>	<b>188,847</b>	<b>184,650</b>
<b>Non-current liabilities</b>		
Long-term borrowings	5,049	5,436
Provision for retirement benefits for directors	458	611
Provision for share awards for directors	114	175
Retirement benefit liability	7,577	7,889
Other	23,567	31,778
<b>Total non-current liabilities</b>	<b>36,767</b>	<b>45,891</b>
<b>Total liabilities</b>	<b>225,615</b>	<b>230,541</b>
<b>[NET ASSETS]</b>		
<b>Shareholders' equity</b>		
Share capital	61,005	61,005
Capital surplus	73,342	73,342
Retained earnings	1,596,086	1,661,794
Treasury shares	(164,167)	(164,783)
<b>Total shareholders' equity</b>	<b>1,566,266</b>	<b>1,631,359</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,573	15,742
Foreign currency translation adjustment	120,275	187,945
Remeasurements of defined benefit plans	4,298	4,122
<b>Total accumulated other comprehensive income</b>	<b>132,146</b>	<b>207,810</b>
<b>Non-controlling interests</b>	<b>3,912</b>	<b>3,988</b>
<b>Total net assets</b>	<b>1,702,325</b>	<b>1,843,158</b>
<b>Total liabilities and net assets</b>	<b>1,927,940</b>	<b>2,073,699</b>

**(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, 2022 From April 1, 2022 to September 30, 2022	Second Quarter ended September 30, 2023 From April 1, 2023 to September 30, 2023
<b>Net sales</b>	<b>421,529</b>	<b>393,551</b>
<b>Cost of sales</b>	<b>209,332</b>	<b>205,708</b>
<b>Gross profit</b>	<b>212,196</b>	<b>187,842</b>
<b>Selling, general and administrative expenses</b>	<b>78,546</b>	<b>82,718</b>
<b>Operating profit</b>	<b>133,649</b>	<b>105,124</b>
<b>Non-operating income</b>		
Interest income	5,262	9,038
Foreign exchange gains	40,470	18,771
Other	1,621	1,813
<b>Total non-operating income</b>	<b>47,353</b>	<b>29,624</b>
<b>Non-operating expenses</b>		
Interest expenses	72	41
Loss on investments in insurance funds	152	—
Other	51	45
<b>Total non-operating expenses</b>	<b>277</b>	<b>87</b>
<b>Ordinary profit</b>	<b>180,725</b>	<b>134,660</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	77	226
Gain on sale of investment securities	3,141	491
Other	7	—
<b>Total extraordinary income</b>	<b>3,226</b>	<b>717</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	172	152
Extra retirement payments	273	—
Other	7	3
<b>Total extraordinary losses</b>	<b>453</b>	<b>155</b>
<b>Profit before income taxes</b>	<b>183,498</b>	<b>135,222</b>
<b>Income taxes</b>	<b>50,383</b>	<b>40,471</b>
<b>Profit</b>	<b>133,115</b>	<b>94,750</b>
<b>Profit attributable to non-controlling interests</b>	<b>61</b>	<b>15</b>
<b>Profit attributable to owners of parent</b>	<b>133,054</b>	<b>94,735</b>

## Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Second Quarter ended September 30, 2022 From April 1, 2022 to September 30, 2022	Second Quarter ended September 30, 2023 From April 1, 2023 to September 30, 2023
<b>Profit</b>	<b>133,115</b>	<b>94,750</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	616	8,233
Foreign currency translation adjustment	68,888	67,700
Remeasurements of defined benefit plans, net of tax	42	(176)
<b>Total other comprehensive income</b>	<b>69,546</b>	<b>75,756</b>
<b>Comprehensive income</b>	<b>202,662</b>	<b>170,507</b>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	202,635	170,399
Comprehensive income attributable to non-controlling interests	26	107

### (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 this estimated effective tax rate. Recoverable amount for deferred tax assets were reasonably estimated.



## **(Significant subsequent events)**

### **(Repurchase of own shares)**

The Company resolved at the Board of Directors' Meeting held on November 14, 2023, to repurchase its own shares, pursuant to Article 156 and Article 165, Paragraph 3 of Companies Act of Japan, as follows.

1. Reason for the repurchase

To enhance returns to shareholders and improve capital efficiency.

2. Details of repurchase

(1) Type of shares to be repurchased

Common shares of the Company

(2) Total number of shares to be repurchased

Up to 450,000 shares

(0.7% of outstanding shares (excluding treasury shares))

(3) Total amount of repurchase

Up to 35 billion yen

(4) Period of repurchase

From November 21, 2023 to March 22, 2024

(5) Method of repurchase

Market purchase on the Tokyo Stock Exchange

### 3. Supplementary Information

#### (1) Net sales by region

(Millions of yen)

Japan	U.S.	China	Asia (excl. China)	Europe	Other	Total
80,944	48,815	98,792	68,574	74,543	21,880	393,551

(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
84,698	66,506	101,486	59,765	71,650	9,443	393,551

(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, 2023		Year ending March 31, 2024 (Forecast)	
Capital expenditures	30,911	(29.0%)	120,000	47.1%
Depreciation	15,099	23.8%	30,000	16.4%
R&D expenses	15,010	10.5%	30,000	9.6%

#### (4) Foreign currency exchange rates

	Second Quarter ended September 30, 2023		Year ending March 31, 2024 (Forecast)
	(average)	(at end)	(average)
U S \$	¥ 141.06	¥ 149.58	¥ 145.00
E U R	¥ 153.44	¥ 157.97	¥ 154.00
C N Y	¥ 19.74	¥ 20.46	¥ 19.80

(Note) Predicted average exchange rates of US\$, EUR and CNY for the fiscal year ending March 31, 2024 are respectively changed as above from the initial forecast (1 US\$ = 130 yen, 1 EUR = 145 yen and 1 CNY = 19 yen).

#### (5) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	Second Quarter ended September 30, 2023	Difference from last year end
Full-time employees (at end)	23,489	501
Temporary employees (average)	5,345	(898)

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