

Consolidated Financial Highlights for the First Quarter ended June 30, 2024 [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-jp/>
 Representative : **Yoshiki Takada, President**
 Contact person : **Masahiro Ota, Director and Executive Officer**
 Projected starting date of dividend payment : **—**

1. Consolidated Financial Highlights for the First Quarter ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(Millions of yen)

First Quarter ended June 30	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent
2024	202,781	1.9%	52,354	(6.7%)	68,278	(8.7%)	48,705 (6.6%)
2023	198,970	(5.9%)	56,105	(17.5%)	74,801	(28.1%)	52,148 (30.8%)

(Note) Comprehensive income 1Q ended June 30, 2024 : ¥ 108,862 million (0.7%)
 1Q ended June 30, 2023 : ¥ 109,618 million (18.4%)

(Yen)

First Quarter ended June 30	Net income per share	Net income per share (diluted basis)
2024	759.43	—
2023	808.49	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
June 30, 2024	2,176,479	1,962,622	90.0%
March 31, 2024	2,094,559	1,885,871	89.8%

(Reference) Shareholders' equity As of June 30, 2024 : ¥ 1,958,455 million
 As of March 31, 2024 : ¥ 1,881,586 million

2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2024 (Actual)	—	450.00	—	500.00	950.00
2025 (Actual)	—	NA	NA	NA	NA
2025 (Projected)	NA	500.00	—	500.00	1,000.00

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

3. Forecasts of Consolidated Operating Results for the Year ending March 31, 2025

(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, 2025	840,000	8.1%	234,000	19.3%	274,000	9.2%	194,000	8.8%	3,024.94

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

* Notes

- (1) Significant changes in the scope of consolidation during the first quarter ended June 30, 2024 : 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, 2024	67,369,359
As of March 31, 2024	67,369,359

2. Number of treasury shares

As of June 30, 2024	3,236,050
As of March 31, 2024	3,235,951

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

April 1, 2024 to June 30, 2024	64,133,398
April 1, 2023 to June 30, 2023	64,500,627

(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, 2023, and 11,200 shares as of March 31, 2024 and as of June 30, 2024) 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.

Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm : None

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, 2024 to June 30, 2024), the outlook remains uncertain due to the manifestation of geopolitical risks such as the prolonged conflicts in Ukraine and in the Middle East, economic slowdown in China, concerns about recession due to the prolonged inflation, the U.S.-China trade frictions, and rapid exchange fluctuations.

As for the demand for automatic control equipment, in the semi-conductor and electrical machinery-related industries, although there were some recoveries seen in the Asian region, regions including Japan and North America remained sluggish. In the automotive-related industry, the EV-battery demand in Greater China (China, Hong Kong, Taiwan) sharply dropped, and capital investments continued to hold back in other regions as well. Machine tool-related industry continued to be in an adjustment phase due to the economic slowdown in China. Sales to medical equipment-related, food machinery-related, and other industries remained sluggish, despite new post-covid demand for automation.

Under these circumstances, the SMC Group has continued to make aggressive capital investments in worldwide to strengthen its supply capability of products, and has also continued developing new products and proposing solutions for low pressure in overall factories which contribute to a significant CO2 emission reductions at customers, establishing a BCP system such as diversifying procurement sources, and utilizing its global human resources.

Within the business environment described above, the summary of consolidated business results for the first quarter ended June 30, 2024 is as follows:

Net sales were 202,781 million yen (increased by 1.9%, yoy). From the geographic point of view, Greater China increased 9%, yoy, by the weak Japanese yen giving a positive effect. On the other hand, by the customer industry, the continued low tone in the semi-conductor market affected negatively.

Operating profit was 52,354 million yen (decreased by 6.7%, yoy), mainly due to the increases in cost ratio and sales and administration costs such as personnel, rental and repair expenses, and taxes and dues.

Ordinary profit was 68,278 million yen (decreased by 8.7%, yoy), mainly due to the decrease in foreign exchange gains in addition to the above effect.

Profit before income taxes was 68,067 million yen (decreased by 9.1%, yoy), mainly due to the increase in loss on retirement of non-current assets, in addition to the above effect, and profit attributable to owners of parent was 48,705 million yen (decreased by 6.6%, yoy).

(2) Financial Positions

Total assets as of the end of the first quarter ended June 30, 2024 were 2,176,479 million yen, an 81,920 million yen increase (3.9% increase, yoy). Investment securities decreased by 21,233 million yen, due to the transfer of the U.S. treasuries with maturities which became one year or less to securities. However, cash and deposits increased by 47,628 million yen, securities increased by 31,010 million yen, inventories, mainly in the raw materials and parts increased by 18,155 million yen and a 27,362 million yen increase in property, plant and equipment, mainly due to capital investments at production sites.

Total liabilities were 213,857 million yen, a 5,168 million yen increase (2.5% increase, yoy), mainly due to a 1,619 million yen increase in trade payables and a 4,366 million yen increase in provision for bonuses.

Total net assets were 1,962,622 million yen, a 76,751 million yen increase (4.1% increase, yoy), mainly due to a 16,632 million yen increase in retained earnings which was mainly caused by the increase in profit attributable to owners of parent, and a 54,560 million yen increase in foreign currency translation adjustment by the progress of yen depreciation.

(3) Consolidated Forecasts and Other Forward-Looking Information

There is no change to the consolidated forecast for the fiscal year 2024, announced in the "Consolidated Financial Highlights for the Year ended March 31, 2024 [under Japanese GAAP]" issued on May 14, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2024	First Quarter end -Current year As of June 30, 2024
[ASSETS]		
Current assets		
Cash and deposits	511,257	558,886
Notes and accounts receivable-trade	217,671	224,873
Securities	33	31,043
Merchandise and finished goods	197,300	200,385
Work in process	37,236	38,380
Raw materials and supplies	285,021	298,948
Other	60,500	33,481
Allowance for doubtful accounts	(1,030)	(1,000)
Total current assets	1,307,990	1,384,999
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	148,360	151,224
Machinery, equipment and vehicles, net	68,166	72,398
Land	90,484	95,595
Other, net	106,547	121,702
Total property, plant and equipment	413,558	440,920
Intangible assets	17,332	18,002
Investments and other assets		
Investment securities	172,436	151,202
Insurance funds	147,188	145,907
Other	37,728	37,230
Allowance for doubtful accounts	(1,675)	(1,782)
Total investments and other assets	355,677	332,557
Total non-current assets	786,568	791,480
Total assets	2,094,559	2,176,479

(Millions of yen)

	Year end -Previous year As of March 31, 2024	First Quarter end -Current year As of June 30, 2024
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	58,818	60,437
Short-term borrowings	7,342	7,236
Income taxes payable	29,316	24,146
Provision for bonuses	5,162	9,528
Other	63,960	64,809
Total current liabilities	164,600	166,158
Non-current liabilities		
Long-term borrowings	5,728	5,251
Provision for retirement benefits for directors	720	514
Provision for share awards for directors	265	307
Retirement benefit liability	8,034	8,139
Other	29,340	33,484
Total non-current liabilities	44,088	47,698
Total liabilities	208,688	213,857
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,342	73,342
Retained earnings	1,716,354	1,732,987
Treasury shares	(194,795)	(194,803)
Total shareholders' equity	1,655,906	1,672,531
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,777	20,582
Deferred gains or losses on hedges	—	5
Foreign currency translation adjustment	203,508	258,068
Remeasurements of defined benefit plans	7,394	7,266
Total accumulated other comprehensive income	225,680	285,923
Non-controlling interests	4,284	4,167
Total net assets	1,885,871	1,962,622
Total liabilities and net assets	2,094,559	2,176,479

(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, 2023	First Quarter ended June 30, 2024
	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Net sales	198,970	202,781
Cost of sales	102,542	106,095
Gross profit	96,427	96,686
Selling, general and administrative expenses	40,322	44,331
Operating profit	56,105	52,354
Non-operating income		
Interest income	3,462	4,672
Foreign exchange gains	13,684	9,981
Other	1,588	1,315
Total non-operating income	18,736	15,969
Non-operating expenses		
Interest expenses	27	16
Other	12	28
Total non-operating expenses	39	45
Ordinary profit	74,801	68,278
Extraordinary income		
Gain on sale of non-current assets	155	162
Gain on sale of investment securities	0	50
Total extraordinary income	155	212
Extraordinary losses		
Loss on retirement of non-current assets	48	418
Other	1	4
Total extraordinary losses	49	423
Profit before income taxes	74,907	68,067
Income taxes	22,748	19,353
Profit	52,159	48,713
Profit attributable to non-controlling interests	11	8
Profit attributable to owners of parent	52,148	48,705

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	First Quarter ended June 30, 2023 From April 1, 2023 to June 30, 2023	First Quarter ended June 30, 2024 From April 1, 2024 to June 30, 2024
Profit	52,159	48,713
Other comprehensive income		
Valuation difference on available-for-sale securities	6,556	5,675
Deferred gains or losses on hedges	—	12
Foreign currency translation adjustment	50,990	54,590
Remeasurements of defined benefit plans, net of tax	(87)	(129)
Total other comprehensive income	57,458	60,149
Comprehensive income	109,618	108,862
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	109,502	108,948
Comprehensive income attributable to non-controlling interests	115	(85)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to changes of accounting policies)

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. have been adopted from the beginning of the first quarter ended June 30, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively. Hence, the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Notes on 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.

(Notes on Segment information)

The Company and its consolidated subsidiaries are composed of a single business segment, Automatic control equipment business. The disclosure of segment information is thereby omitted.

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

N/A

(Notes on going-concern assumption)

N/A

(Notes on the quarterly consolidated cash flow statement)

There is no quarterly consolidated statement of cash flows for the three months ended June 30, 2024. Depreciation for the three months ended June 30, 2024 is as follows:

	(Millions of yen)	
	First Quarter ended June 30, 2023	First Quarter ended June 30, 2024
	From April 1, 2023 to June 30, 2023	From April 1, 2024 to June 30, 2024
Depreciation	7,041	6,523

(Notes on significant subsequent events)

(Repurchase of own shares)

The Company resolved at the Board of Directors' Meeting held on August 9, 2024, 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 600,000 shares

(0.9% of outstanding shares (excluding treasury shares))

(3) Total amount of repurchase

Up to 35 billion yen

(4) Period of repurchase

From August 26, 2024 to March 24, 2025

(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
38,316	23,143	55,257	37,725	37,119	11,219	202,781

(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
39,722	32,259	57,688	32,194	35,758	5,158	202,781

(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, 2024		Year ending March 31, 2025 (Forecast)	
Capital expenditures	23,949	26.0%	120,000	13.7%
Depreciation	6,523	(7.4%)	44,000	31.9%
R&D expenses	8,168	13.5%	35,000	12.4%

(4) Foreign currency exchange rates

	First Quarter ended June 30, 2024		Year ending March 31, 2025 (Forecast)
	(average)	(at end)	(average)
U S \$	¥ 155.85	¥ 161.14	¥ 146.00
E U R	¥ 167.84	¥ 172.44	¥ 158.00
C N Y	¥ 21.47	¥ 22.05	¥ 20.50

(5) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	First Quarter ended June 30, 2024	Difference from last year end
Full-time employees (at end)	23,171	44
Temporary employees (average)	5,402	31