November 14, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 [Under Japanese GAAP]

Company name : **SMC Corporation**
Listing : **Tokyo Stock Exchange, Prime Market**
Securities code : **6273**
URL : **https://www.smcworld.com/ir/en-jp/**
Representative : **Yoshiki Takada, President**
Inquiries : **Masahiro Ota, Director and Executive Officer** (disclosure.jp@smc.com)
Scheduled date to file semi-annual securities report : **November 14, 2024**
Scheduled date to commence dividend payments : **December 2, 2024**
Preparation of supplementary material on financial results : **Yes**
Holding of financial results briefing : **Yes** (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	395,061	0.4	99,497	(5.4)	104,283	(22.6)	78,189	(17.5)
September 30, 2023	393,551	(6.6)	105,124	(21.3)	134,660	(25.5)	94,735	(28.8)

(Note) Comprehensive income For the six months ended September 30, 2024 : ¥ 37,521 million (78.0%)
For the six months ended September 30, 2023 : ¥ 170,507 million (15.9%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	1,219.46	—
September 30, 2023	1,468.79	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	2,061,659	1,878,681	91.1
March 31, 2024	2,094,559	1,885,871	89.8

(Reference) Equity As of September 30, 2024 : ¥ 1,878,657 million
As of March 31, 2024 : ¥ 1,881,586 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	450.00	—	500.00	950.00
Fiscal year ending March 31, 2025	—	500.00			
Fiscal year ending March 31, 2025 (Forecast)			—	500.00	1,000.00

(Note) Revisions to the forecast of cash dividends most recently announced : None

3. Forecasts of consolidated operating results for the year ending March 31, 2025

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2025	820,000	5.6	214,000	9.1	238,000	(5.2)	167,000	(6.3)	2,604.57

(Note) Revisions to the forecast of operating results most recently announced : Yes

* Notes

(1) Significant changes in the scope of consolidation during the period : None

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements : Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1. Changes in accounting policies due to revisions to accounting standards and other regulations : Yes
2. Changes in accounting policies due to other reasons : None
3. Changes in accounting estimates : None
4. Restatement : None

(4) Number of issued shares (common shares)

1. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	67,369,359 shares
As of March 31, 2024	67,369,359 shares

2. Number of treasury shares at the end of the period

As of September 30, 2024	3,394,323 shares
As of March 31, 2024	3,235,951 shares

3. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	64,117,891 shares
Six months ended September 30, 2023	64,498,400 shares

(Note) The Company's shares held by the Board Benefit Trust for the Directors' Stock Compensation Plan (11,200 shares) is included in the number of treasury shares, which is excluded in the calculation for the above: 2. Number of treasury shares at the end of the period and 3. Average number of shares outstanding during the period.

Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

Proper use of earnings forecasts, and other special matters

1. The revised forecasts of operating results for the fiscal year ending March 31, 2025 (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 financial results for the six months are released.
   Some factors could cause actual results to differ from expectations.
3. The Company is scheduled to hold a financial results briefing for institutional investors and analysts on November 14, 2024. Presentation material will be released on the Company's website on the day.

1. Qualitative Information about the Semi-annual Results

(1) Operating Results

During the first six months of this fiscal year (from April 1, 2024 to September 30, 2024), although there were signs of easing inflationary pressures, the outlook of the global economy remains uncertain due to the geopolitical risks such as the prolonged conflicts in Ukraine and in the Middle East, the economic slowdown in China, 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, even though there were some recoveries seen in the Asian region, regions including Japan, North America, and Europe remained sluggish than which had been expected. In the automotive-related industry, the EV-battery demand in Greater China (China, Hong Kong, and Taiwan) sharply dropped, and capital investments continued to hold back in other regions as well. Machine tool-related industry showed strength in China, however, other regions remained to be in an adjustment phase due to the economic slowdown. Sales to medical equipment-related, food machinery-related, and other industries remained sluggish, despite new demand for automation.

Under these circumstances, the SMC Group has continued to make aggressive worldwide capital investments to stregthen its supply capability of products. The Group has also continued developing new products and proposing solutions to realize low pressure in overall factories which contribute to a significant CO2 emission reduction at customers, establishing a BCP system including diversification of procurement sources, diversifying sales channels with distributor collaborations, and utilizing its global human resources.

Within the business environment described above, the summary of the six months' consolidated business results is as follows:

Net sales were 395,061 million yen (increased by 0.4%, yoy). From the geographic point of view, Greater China increased by 8.7%, yoy, a positive effect given by the weak Japanese yen, however, Japan decreased by 6.8% and North America decreased by 6.6%. For the customer industry basis, the continued low tone in the semi-conductor market which is the Group's major sales destination affected negatively.

Operating profit was 99,497 million yen (decreased by 5.4%, yoy), mainly due to the increases in cost ratio and sales and administration costs such as personnel and taxes and dues.

Ordinary profit was 104,283 million yen (decreased by 22.6%, yoy), mainly due to the increase in foreign exchange losses.

Profit before income taxes was 103,947 million yen (decreased by 23.1%, yoy), mainly due to the increase in loss on retirement of non-current assets, in addition to the above effect. Profit attributable to owners of parent was 78,189 million yen (decreased by 17.5%, yoy).

(2) Financial Position

Financial position as of the end of the first six months of this fiscal year (September 30, 2024) are as follows:

Total assets were 2,061,659 million yen, a 32,899 million yen decrease, yoy (decreased by 1.6%, yoy). This decrease was caused mainly due to the decreases in trade receivables of 19,875 million yen and in inventories of 13,598 million yen, despite an increase of 17,701 million yen in property, plant and equipment mainly caused due to capital investments at production sites.

Total liabilities were 182,977 million yen, a 25,710 million yen decrease, yoy (decreased by 12.3%, yoy), mainly due to a 10,534 million yen decrease in trade payables and a 5,800 milllion yen decrease in income taxes payable.

Total net assets were 1,878,681 million yen, a 7,189 million yen decrease, yoy (decreased by 0.4%, yoy). This decrease was caused mainly due to a 35,559 million yen decrease in foreign currency translation adjustment by the progress of yen appreciation and a 9,648 million yen increase in purchase of treasury shares, despite an increase of 46,117 million yen in retained earnings which was mainly caused by the increase in profit attributable to owners of parent.

(3) Consolidated Forecasts and Other Forward-Looking Information

Based on recent trends in orders and foreign exchange rates, revisions 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 are made as below.

The average exchange rates for the fiscal year based on the revised forecasts:
1 US$ = 149 yen (previous forecast 146 yen), 1 EUR = 162 yen (158 yen), and 1 CNY = 20.80 yen (20.50 yen).

Revision to consolidated financial forecasts for the fiscal year ending March 31, 2025

(Period from April 1, 2024 through March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit Attributable to owners of parent	Basic earnings per share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previous Forecasts	840,000	234,000	274,000	194,000	3,024.94
Revised Forecasts	**820,000**	**214,000**	**238,000**	**167,000**	**2,604.57**
Increase (Decrease)	(20,000)	(20,000)	(36,000)	(27,000)	
% Change	(2.4%)	(8.5%)	(13.1%)	(13.9%)	

<Reference>

Results of the FY 2023 (Year ended March 31, 2024)	776,873	196,226	251,008	178,321	2,766.92

2. Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
ASSETS		
Current assets		
Cash and deposits	511,257	521,356
Notes and accounts receivable-trade	217,671	197,796
Securities	33	27,995
Merchandise and finished goods	197,300	182,650
Work in process	37,236	33,319
Raw materials and supplies	285,021	289,990
Other	60,500	99,118
Allowance for doubtful accounts	(1,030)	(970)
Total current assets	**1,307,990**	**1,351,256**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	148,360	141,026
Machinery, equipment and vehicles, net	68,166	70,903
Land	90,484	93,429
Other, net	106,547	125,900
Total property, plant and equipment	**413,558**	**431,260**
Intangible assets	**17,332**	**16,388**
Investments and other assets		
Investment securities	172,436	138,339
Insurance funds	147,188	89,967
Other	37,728	36,062
Allowance for doubtful accounts	(1,675)	(1,617)
Total investments and other assets	**355,677**	**262,753**
Total non-current assets	**786,568**	**710,402**
Total assets	**2,094,559**	**2,061,659**

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	58,818	48,283
Short-term borrowings	7,342	7,127
Income taxes payable	29,316	23,516
Provision for bonuses	5,162	5,952
Other	63,960	59,296
Total current liabilities	**164,600**	**144,176**
Non-current liabilities		
Long-term borrowings	5,728	4,814
Provision for retirement benefits for directors	720	451
Provision for share awards for directors	265	355
Retirement benefit liability	8,034	8,110
Other	29,340	25,069
Total non-current liabilities	**44,088**	**38,801**
Total liabilities	**208,688**	**182,977**
NET ASSETS		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,342	74,474
Retained earnings	1,716,354	1,762,471
Treasury shares	(194,795)	(204,444)
Total shareholders' equity	**1,655,906**	**1,693,507**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,777	10,074
Deferred gains or losses on hedges	–	5
Foreign currency translation adjustment	203,508	167,949
Remeasurements of defined benefit plans	7,394	7,121
Total accumulated other comprehensive income	**225,680**	**185,150**
Non-controlling interests	**4,284**	**24**
Total net assets	**1,885,871**	**1,878,681**
Total liabilities and net assets	**2,094,559**	**2,061,659**

(2) Semi-annual Consolidated Statement of Income and Semi-annual Consolidated Statement of Comprehensive Income

Semi-annual Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2023 From April 1, 2023 to September 30, 2023	Six months ended September 30, 2024 From April 1, 2024 to September 30, 2024
Net sales	**393,551**	**395,061**
Cost of sales	**205,708**	**209,524**
Gross profit	**187,842**	**185,536**
Selling, general and administrative expenses	**82,718**	**86,039**
Operating profit	**105,124**	**99,497**
Non-operating income		
Interest income	9,038	10,930
Foreign exchange gains	18,771	－
Other	1,813	2,102
Total non-operating income	**29,624**	**13,032**
Non-operating expenses		
Foreign exchange losses	－	8,155
Other	87	91
Total non-operating expenses	**87**	**8,247**
Ordinary profit	**134,660**	**104,283**
Extraordinary income		
Gain on sale of non-current assets	226	208
Other	491	50
Total extraordinary income	**717**	**258**
Extraordinary losses		
Loss on retirement of non-current assets	152	565
Other	3	29
Total extraordinary losses	**155**	**595**
Profit before income taxes	**135,222**	**103,947**
Income taxes	**40,471**	**25,643**
Profit	**94,750**	**78,303**
Profit attributable to non-controlling interests	**15**	**114**
Profit attributable to owners of parent	**94,735**	**78,189**

Semi-annual Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2023 From April 1, 2023 to September 30, 2023	Six months ended September 30, 2024 From April 1, 2024 to September 30, 2024
Profit	**94,750**	**78,303**
Other comprehensive income		
Valuation difference on available-for-sale securities	8,233	(4,951)
Deferred gains or losses on hedges	—	10
Foreign currency translation adjustment	67,700	(35,567)
Remeasurements of defined benefit plans, net of tax	(176)	(274)
Total other comprehensive income	**75,756**	**(40,782)**
Comprehensive income	**170,507**	**37,521**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	170,399	37,659
Comprehensive income attributable to non-controlling interests	107	(138)

(3) Semi-annual Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023 From April 1, 2023 to September 30, 2023	Six months ended September 30, 2024 From April 1, 2024 to September 30, 2024
Cash flows from operating activities		
Profit before income taxes	135,222	103,947
Depreciation	15,099	15,505
Increase (decrease) in allowance for doubtful accounts	62	(44)
Increase (decrease) in provision for retirement benefits for directors	124	(245)
Increase (decrease) in retirement benefit liability	(57)	(178)
Interest and dividend income	(9,493)	(11,250)
Interest expenses	41	35
Foreign exchange losses (gains)	(9,558)	1,254
Loss (gain) on sale of investment securities	(491)	(50)
Decrease (increase) in trade receivables	17,776	13,951
Decrease (increase) in inventories	(50,693)	3,818
Increase (decrease) in trade payables	(10,618)	(6,957)
Decrease (increase) in other current assets	7,325	673
Increase (decrease) in other current liabilities	2,738	(1,936)
Other, net	(1,122)	27
Subtotal	96,356	118,551
Interest and dividends received	9,122	11,258
Interest paid	(44)	(38)
Income taxes refund (paid)	(44,859)	(31,777)
Net cash provided by (used in) operating activities	**60,575**	**97,993**

(Millions of yen)

	Six months ended September 30, 2023 From April 1, 2023 to September 30, 2023	Six months ended September 30, 2024 From April 1, 2024 to September 30, 2024
Cash flows from investing activities		
Payments into time deposits	(66,505)	(98,132)
Proceeds from withdrawal of time deposits	76,127	66,232
Purchase of property, plant and equipment	(32,662)	(42,954)
Purchase of intangible assets	(1,125)	(542)
Purchase of short-term and long-term investment securities	(65,669)	(3,898)
Proceeds from sale and redemption of short-term and long-term investment securities	15,564	15,288
Income by reduction of capital of subsidiaries and affiliates	—	3,001
Purchase of insurance funds	(6,865)	(1,942)
Proceeds from maturity of insurance funds	2,398	4,527
Other, net	690	384
Net cash provided by (used in) investing activities	**(78,047)**	**(58,035)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(136)	(25)
Proceeds from long-term borrowings	1,500	—
Repayments of long-term borrowings	(973)	(1,103)
Purchase of treasury shares	(616)	(9,648)
Dividends paid	(29,010)	(32,068)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(2,994)
Other, net	(66)	(72)
Net cash provided by (used in) financing activities	**(29,303)**	**(45,913)**
Effect of exchange rate change on cash and cash equivalents	**29,520**	**(12,193)**
Net increase (decrease) in cash and cash equivalents	**(17,255)**	**(18,149)**
Cash and cash equivalents at beginning of period	**491,324**	**405,586**
Cash and cash equivalents at end of period	**474,068**	**387,437**

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on changes of accounting policies)

(Application of the "Accounting Standard for Current Income Taxes", etc.)

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 six months ended September 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 semi-annual 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 six months ended September 30, 2024. This change in accounting policies was applied retrospectively. Hence, the semi-annual consolidated financial statements for the six months ended September 30, 2024 and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the semi-annual consolidated financial statements for the six months ended September 30, 2023 and neither on the consolidated financial statements for the prior fiscal year.

(Notes on special accounting methods for presenting semi-annual consolidated financial statements)

(Calculation of tax expenses)

Tax expenses were calculated by multiplying profit before income taxes by the estimated effective tax rates (effective tax rates were calculated by reasonably estimating effective tax rate of profit before income taxes of consolidated fiscal year, including the consolidated first six months of this fiscal year, after the application of tax effect accounting).

Tax expenses for some subsidiaries were calculated with effective statutory tax rates instead of the 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

3. Supplementary Information

(1) Sales by region-customer location

(Millions of yen)

Japan	U.S.	China	Asia (excl. China)	Europe	Other	Total
76,076	45,422	104,446	75,847	71,955	21,313	395,061

(Note) Japan, U.S., and China (including Hong Kong) are individually disclosed since they consist 10% or above the consolidated net sales respectively.

(2) Sales by region-Group company location

(Millions of yen)

Japan	North America	Greater China	Other Asia	Europe	Other	Total
78,921	62,089	110,358	63,923	69,560	10,207	395,061

(Note) "North America" includes the sales amount of U.S., Canada, and Mexico, "Greater China" includes China, Hong Kong, and Taiwan.

(3) Consolidated Capital expenditures, Depreciation and R&D expenses

(Millions of yen)

	Six months ended September 30, 2024		Year ending March 31, 2025 (Forecast)	
Capital expenditures	42,640	37.9%	120,000	13.7%
Depreciation	15,505	2.7%	44,000	31.9%
R&D expenses	16,111	7.3%	35,000	12.4%

(4) Foreign currency exchange rates

	Six months ended September 30, 2024		Year ending March 31, 2025 (Forecast)
	(average)	(at end)	(average)
U S $	¥ 152.77	¥ 142.82	¥ 149.00
E U R	¥ 166.04	¥ 159.53	¥ 162.00
C N Y	¥ 21.15	¥ 20.47	¥ 20.80

(Note) Predicted average exchange rates of US$, EUR and CNY for the fiscal year ending March 31, 2025 are respectively changed as above from the initial forecast (1 US$ = 146 yen, 1 EUR = 158 yen, and 1 CNY = 20.50 yen).

(5) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	Six months ended September 30, 2024	Difference from last year end
Full-time employees (at end)	23,075	(52)
Temporary employees (average)	5,452	81