

Annual Report 2024

SMC Corporation

For the year ended March 31, 2024

Profile

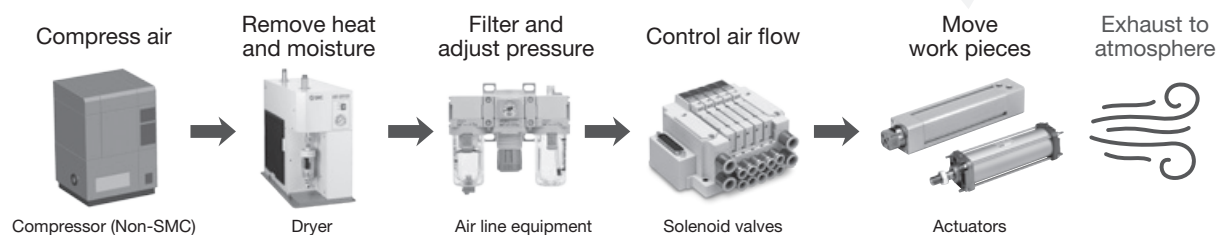
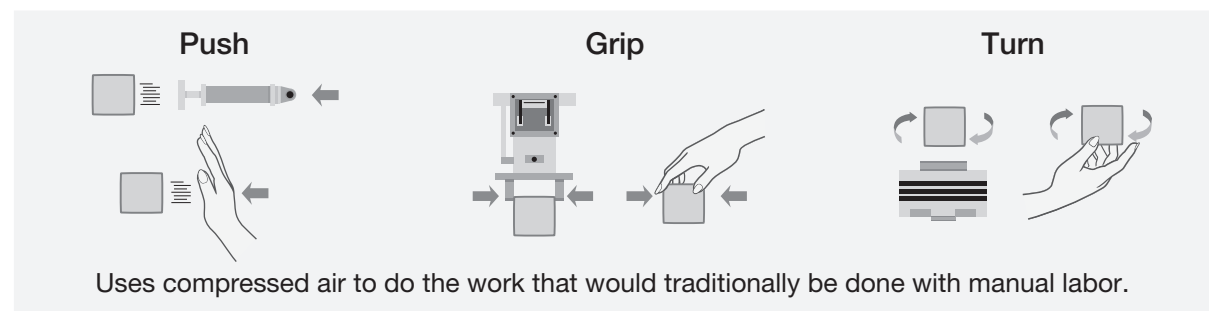
Through the manufacture and sales of automatic control equipment including pneumatic instruments, SMC contributes to automated, labor-saving operations in industries.

Using the pressure of compressed air as a core energy source, pneumatic instruments perform automatic operations such as pushing, gripping and turning the objects in place of manual labor.

SMC is a comprehensive manufacturer covering the entire pneumatic system consisting of various equipment.

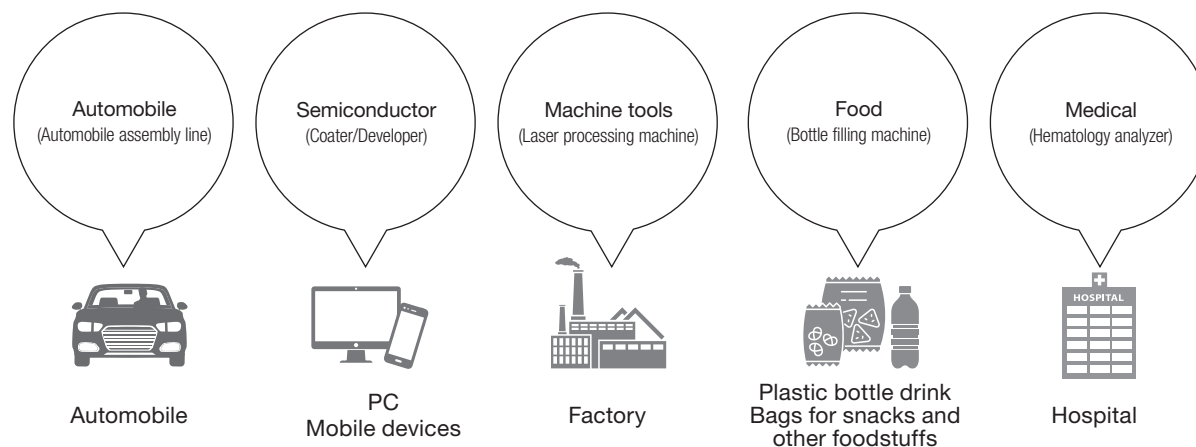
SMC's products are utilized in all industry sectors around the world.

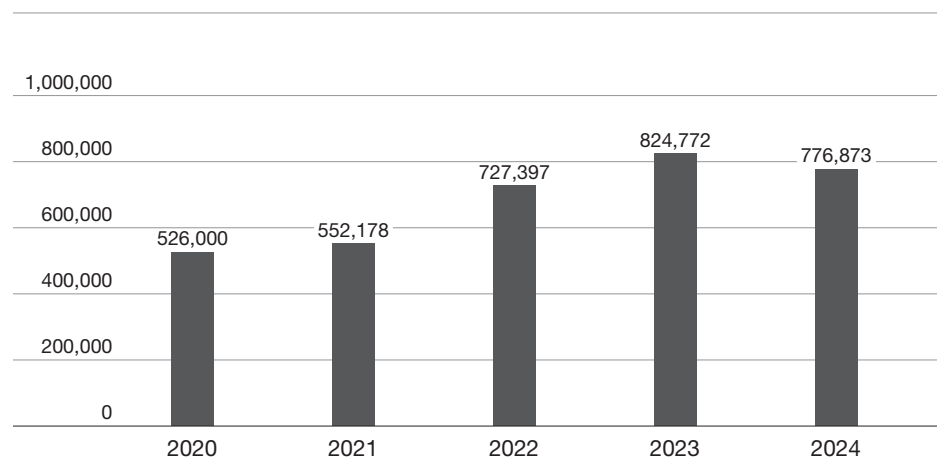
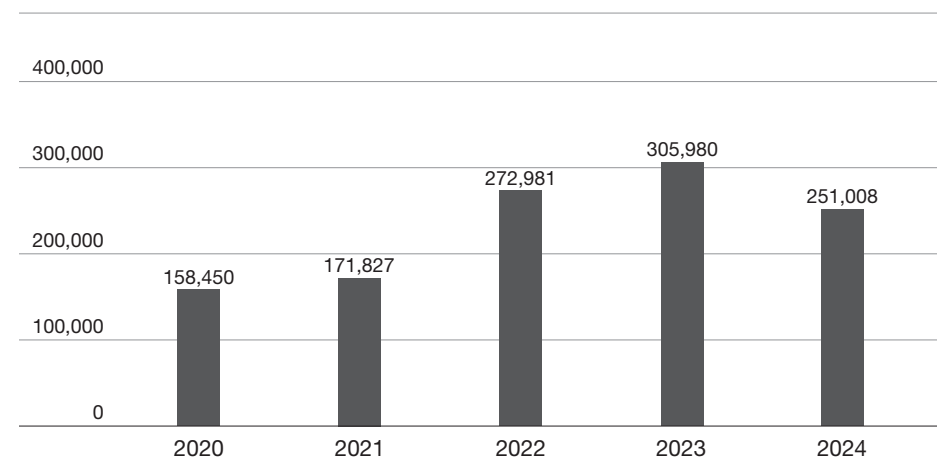
Overview of Pneumatic Control Instruments System



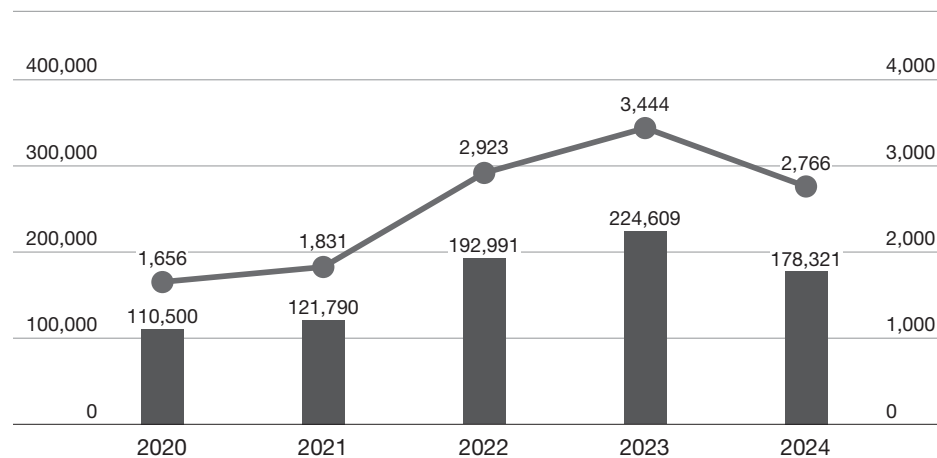
Application and Industry

Used for all applications and industries

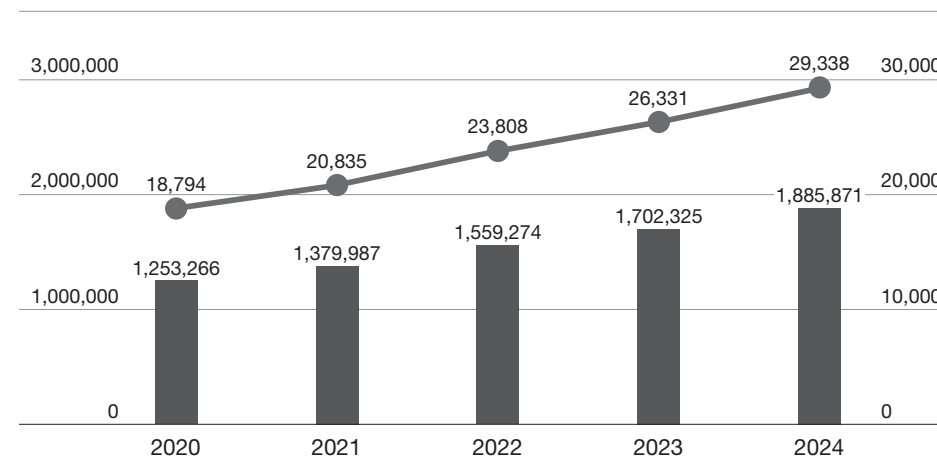


Net sales (Millions of yen)**Ordinary profit** (Millions of yen)

■ Profit attributable to owners of parent (Millions of yen)
 ● Earnings per share (EPS) (Yen)



■ Net assets (Millions of yen)
 ● Net assets per share (Yen)



SMC Corporation and Consolidated Subsidiaries
Years ended March 31, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024

(Millions of yen, except for per share data)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
For the year										
Net sales	458,081	475,608	487,625	591,035	576,948	526,000	552,178	727,397	824,772	776,873
Operating profit	127,686	134,233	141,107	192,428	180,203	146,254	153,355	227,857	258,200	196,226
Profit attributable to owners of parent	109,583	92,138	113,095	136,869	130,631	110,500	121,790	192,991	224,609	178,321
Depreciation	13,620	14,863	14,246	15,252	16,255	16,669	18,585	20,557	25,767	33,355
Capital expenditures	28,669	24,756	21,663	23,683	31,936	38,370	27,439	83,499	81,592	105,522
R&D expense	17,607	18,452	19,115	20,239	21,367	21,480	20,874	23,457	27,361	31,141
Free cash flow ¹	66,412	67,724	30,584	83,656	16,827	149,534	193,913	39,878	14,530	(33,693)
At year end										
Total assets	1,129,001	1,120,171	1,192,444	1,342,890	1,389,308	1,390,539	1,539,871	1,769,951	1,927,940	2,094,559
Inventories	194,573	182,564	179,185	205,660	230,268	232,559	248,752	303,545	418,602	519,558
Net assets	921,483	941,813	1,030,369	1,150,416	1,243,252	1,253,266	1,379,987	1,559,274	1,702,325	1,885,871
Shareholders' equity	919,245	939,409	1,027,607	1,147,245	1,240,019	1,250,188	1,376,704	1,555,628	1,698,413	1,881,586
Borrowings	70,581	49,243	17,073	6,438	7,238	11,516	10,788	11,544	12,187	13,070
Cash and cash equivalents	281,716	295,270	277,449	322,690	312,366	399,128	561,540	559,296	491,324	405,586
Per share data (Yen)										
Earnings per share (EPS) ²	1,629.38	1,371.34	1,683.12	2,036.33	1,943.35	1,656.44	1,831.98	2,923.76	3,444.55	2,766.92
Net assets per share	13,682.01	13,981.17	15,292.53	17,067.08	18,447.39	18,794.58	20,835.47	23,808.08	26,331.72	29,338.63
Dividend per share ³	190.00	200.00	300.00	400.00	400.00	400.00	500.00	750.00	900.00	950.00
Cash flow per share	1,831.90	1,592.56	1,895.13	2,263.25	2,185.18	1,906.32	2,111.55	3,235.20	3,839.72	3,284.47

Notes

1. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities.

2. Earnings per share are calculated based on the average number of common shares for the respective fiscal years.

3. Dividend per share are calculated on the dividend paid in respective fiscal years.

SMC Corporation and Consolidated Subsidiaries
Years ended March 31, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Reference indices										
Profitability (%)										
Operating income ratio	27.9	28.2	28.9	32.6	31.2	27.8	27.8	31.3	31.3	25.3
SG & A ratio	20.9	21.7	20.9	19.0	20.2	21.6	20.4	18.7	19.8	21.5
Return on equity	12.9	9.9	11.5	12.6	10.9	8.9	9.3	13.2	13.8	10.0
Return on assets	15.2	11.5	12.8	15.5	14.5	11.4	11.7	16.5	16.5	12.5
Efficiency (Times)										
Total assets turnover	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Equity turnover	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.4
Inventories turnover	2.4	2.5	2.7	3.1	2.6	2.3	2.3	2.6	2.3	1.7
Fixed assets turnover	3.4	3.2	3.3	3.9	3.5	2.9	2.9	3.1	2.8	2.1
Stability (%)										
Equity ratio	81.4	83.9	86.2	85.4	89.3	89.9	89.4	87.9	88.1	89.8
Debt equity ratio	7.7	5.2	1.7	0.6	0.6	0.9	0.8	0.7	0.7	0.7
Current ratio	448.0	497.3	645.8	543.2	822.6	1,022.1	929.3	742.8	701.0	794.6
Fixed assets ratio	35.5	39.7	34.7	35.1	34.0	34.1	32.2	32.9	35.6	41.8
Interest coverage ratio (Times)	333.8	406.3	679.0	1,216.9	758.8	1,131.2	608.6	865.7	810.5	1,189.4
Investment data										
Dividend ratio (%)	11.7	14.6	17.8	19.6	20.6	24.1	27.3	25.7	26.1	34.3
Dividends on equity (%)	1.5	1.4	2.0	2.5	2.3	2.1	2.5	3.4	3.6	3.4
Price earnings ratio (Times)	21.9	19.0	19.6	21.2	21.4	27.6	35.1	23.5	20.3	30.7
Price book value ratio (Times)	2.6	1.9	2.2	2.5	2.3	2.4	3.1	2.9	2.7	2.9
Market capitalization (Millions of yen)	2,414,854	1,761,035	2,217,799	2,901,598	2,797,849	3,082,148	4,332,523	4,637,706	4,704,402	5,714,942
Number of engineers	1,638	1,711	1,777	1,817	1,910	1,919	1,881	1,917	2,000	2,127
Number of employees	17,389	18,382	19,191	19,680	19,746	20,853	20,619	21,620	22,988	23,127

Management's Discussion and Analysis of Financial Condition and Results of Operations

Significant Accounting Policies and Estimates

SMC's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan. Preparation of this report requires management to make estimates that affect the selection and application of accounting policies, as well as the reported amounts and disclosure of assets, liabilities, revenues and expenses. While the management has made reasonable judgments regarding these estimates based on such factors as past results, actual results could differ from those estimates due to the uncertainties inherent in such estimates.

Operating Results

Net sales for this fiscal year were 776,873 million yen (5.8% decrease yoy). Gross profit was 363,077 million yen (13.8% decrease yoy). The gross profit margin was 46.7% (decreased by 4.4 points yoy) as revenue decreased due to lower sales volume, and production cost and expenses increased due to higher cost of raw material, personnel expenses, and depreciation expenses. Selling, general and administrative expenses were 166,851 million yen (2.4% increase yoy) mainly due to increases in transport expenses, personnel expenses and depreciation, with the expense ratio rising 1.7 points to 21.5%. Operating profit was 196,226 million yen (24.0% decrease yoy), and the operating profit margin decreased by 6.0 points to 25.3%.

For non-operating income and expenses, foreign exchange gains were 24,486 million yen (13.2% decrease yoy), while interest income was 18,461 million yen (57.5% increase yoy), due to a rise in market interest rates. Ordinary profit was 251,008 million yen (18.0% decrease yoy), and the ordinary profit margin decreased by 4.8 points to 32.3%.

For extraordinary income and losses, gain on sale of investment securities and income taxes decreased, resulting in profit attributable to owners of parent of 178,321 million yen (20.6% decrease yoy).

The average exchange rates for this fiscal year were 1 US\$=144.58 yen, 1 EUR=156.74 yen, and 1 CNY=20.13 yen. The exchange rates at the end of this fiscal year were 1 US\$=151.40 yen, 1 EUR=163.28 yen, and 1 CNY=20.84 yen.

Financial Condition

(1) Assets

Total assets as of the end of this fiscal year were 2,094,559 million yen, a 166,619 million yen (8.6% increase yoy). Cash and deposits decreased by 92,313 million yen yoy. This decrease mainly reflected allocations of cash for payment of income taxes, purchase of inventories, purchase of investment securities, payment of dividends, payment of capital expenditures, and purchase of treasury shares. In addition, the main factors for changes in assets included a decrease in trade receivables of 11,176 million yen due to change in sales volume, an increase in inventories of 100,956 million yen primarily consisting of raw materials and components, an increase in property, plant and equipment of 86,563 million yen due to the capital investment at production sites, and an increase in investment securities of 80,015 million yen due to the purchase of U.S. government bonds.

(2) Liabilities

Total liabilities were 208,688 million yen, a 16,926 million yen (7.5% decrease yoy), mainly reflecting a decrease in trade payables of 14,817 million yen and a decrease in income taxes payable of 13,119 million yen.

(3) Net assets

Total net assets was 1,885,871 million yen, a 183,546 million yen (10.8% increase yoy), mainly reflecting an increase in retained earnings of 120,268 million yen, an increase in treasury shares of 30,628 million yen, and an increase in foreign currency translation adjustment of 83,233 million yen. The equity ratio at the end of this fiscal year was 89.8%, compared with 88.1% at the end of the previous fiscal year, and net assets per share was 29,338.63 yen at the end of this fiscal year, compared with 26,331.72 yen at the end of the previous fiscal year.

Cash Flows

The balance of cash and cash equivalents (hereinafter “cash”) as of the end of this fiscal year was 405,586 million yen, a decrease of 85,737 million yen yoy.

(1) Cash flows from operating activities

Net cash provided by operating activities was 98,207 million yen (a decrease in cash provided of 3,409 million yen yoy). This result mainly reflected cash provided by operating activities of 169,140 million yen (a 9,492 million yen decrease in inflow yoy), interest and dividends received of 18,820 million yen (a 4,128 million yen increase in inflow yoy), income taxes paid of 89,671 million yen (a 1,910 million yen decrease in outflow yoy).

(2) Cash flows from investing activities

Net cash used in investing activities was 131,900 million yen (an increase in cash used of 44,814 million yen yoy). This result mainly reflected net inflows from time deposits of 15,060 million yen (a 1,994 million yen decrease in inflow yoy), outflows for non-current assets of 104,308 million yen (a 29,931 million yen increase in outflow yoy), net outflows related to securities of 43,138 million yen (a 1,074 million yen increase in outflow yoy).

As a result of the above, free cash flow for this fiscal year was an outflow of 33,693 million yen (a 48,224 million yen increase in outflow yoy).

(3) Cash flows from financing activities

Net cash used in financing activities was 87,928 million yen (a decrease in cash used of 25,370 million yen yoy). The result mainly reflected an outflow for purchase of treasury shares of 30,628 million yen (a 24,401 million yen decrease in outflow yoy).

Consolidated Balance Sheet (As of March 31, 2024)

	As of March 31, 2023	As of March 31, 2024
(Assets)		
Current assets		
Cash and deposits	603,570	511,257
Notes and accounts receivable-trade	228,848	217,671
Securities	19,926	33
Merchandise and finished goods	165,288	197,300
Work in process	31,388	37,236
Raw materials and supplies	221,925	285,021
Other	53,641	60,500
Allowance for doubtful accounts	(740)	(1,030)
Total current assets	1,323,848	1,307,990
Non-current assets		
Property, plant and equipment		
Buildings and structures	220,757	259,857
Accumulated depreciation	(97,004)	(111,496)
Buildings and structures, net	123,752	148,360
Machinery, equipment and vehicles	157,424	186,878
Accumulated depreciation	(105,327)	(118,712)
Machinery, equipment and vehicles, net	52,097	68,166
Tools, furniture and fixtures	89,748	108,155
Accumulated depreciation	(75,850)	(86,866)
Tools, furniture and fixtures, net	13,897	21,288
Land	87,746	90,484
Construction in progress	49,501	85,258
Total property, plant and equipment	326,995	413,558
Intangible assets		
Leasehold interests in land	11,759	11,719
Other	4,832	5,612
Total intangible assets	16,591	17,332
Investments and other assets		
Investment securities	92,420	172,436
Retirement benefit asset	11,639	17,492
Insurance funds	143,902	147,188
Deferred tax assets	7,456	10,868
Other	6,540	9,366
Allowance for doubtful accounts	(1,454)	(1,675)
Total investments and other assets	260,505	355,677
Total non-current assets	604,092	786,568
Total assets	1,927,940	2,094,559

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	73,636	58,818
Short-term borrowings	7,137	7,342
Income taxes payable	42,435	29,316
Provision for bonuses	5,143	5,162
Other	60,494	63,960
Total current liabilities	188,847	164,600
Non-current liabilities		
Long-term borrowings	5,049	5,728
Deferred tax liabilities	16,094	21,802
Provision for retirement benefits for directors	458	720
Provision for share awards for directors	114	265
Retirement benefit liability	7,577	8,034
Other	7,472	7,538
Total non-current liabilities	36,767	44,088
Total liabilities	225,615	208,688
(Net assets)		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,342	73,342
Retained earnings	1,596,086	1,716,354
Treasury shares	(164,167)	(194,795)
Total shareholders' equity	1,566,266	1,655,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,573	14,777
Foreign currency translation adjustment	120,275	203,508
Remeasurements of defined benefit plans	4,298	7,394
Total accumulated other comprehensive income	132,146	225,680
Non-controlling interests	3,912	4,284
Total net assets	1,702,325	1,885,871
Total liabilities and net assets	1,927,940	2,094,559

*We have obtained independent auditor's report to SMC's consolidated financial statements as at March 31, 2024 and for the year ended in Japanese by Ernst & Young ShinNihon LLC on June 27, 2024.

Consolidated Statement of Income (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	824,772	776,873
Cost of sales	403,613	413,796
Gross profit	421,159	363,077
Selling, general and administrative expenses	162,958	166,851
Operating profit	258,200	196,226
Non-operating income		
Interest income	11,722	18,461
Gain on sale of securities	2,368	6,114
Foreign exchange gains	28,203	24,486
Other	5,722	5,900
Total non-operating income	48,016	54,963
Non-operating expenses		
Interest expenses	105	82
Commission for purchase of treasury shares	20	19
Other	110	79
Total non-operating expenses	236	180
Ordinary profit	305,980	251,008
Extraordinary income		
Gain on sale of non-current assets	447	732
Gain on sale of investment securities	3,208	1,236
Other	7	—
Total extraordinary income	3,663	1,968
Extraordinary losses		
Loss on retirement of non-current assets	352	315
Impairment losses	35	—
Extra retirement payments	370	—
Other	109	8
Total extraordinary losses	867	324
Profit before income taxes	308,777	252,653
Income taxes-current	90,677	75,995
Income taxes-deferred	(6,806)	(1,695)
Total income taxes	83,871	74,300
Profit	224,905	178,353
Profit attributable to non-controlling interests	296	32
Profit attributable to owners of parent	224,609	178,321

Consolidated Statement of Changes in Equity (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	61,005	73,342	1,596,086	(164,167)	1,566,266	7,573	120,275	4,298	132,146	3,912	1,702,325
Changes during period											
Dividends of surplus			(58,052)		(58,052)						(58,052)
Profit attributable to owners of parent			178,321		178,321						178,321
Purchase of treasury shares				(30,628)	(30,628)						(30,628)
Net changes in items other than shareholders' equity						7,204	83,233	3,096	93,533	372	93,906
Total changes during period	—	—	120,268	(30,628)	89,639	7,204	83,233	3,096	93,533	372	183,546
Balance at end of period	61,005	73,342	1,716,354	(194,795)	1,655,906	14,777	203,508	7,394	225,680	4,284	1,885,871

Consolidated Statement of Cash Flows (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	308,777	252,653
Depreciation	25,767	33,355
Impairment losses	35	—
Extra retirement payments	370	—
Increase (decrease) in allowance for doubtful accounts	(517)	274
Increase (decrease) in provision for retirement benefits for directors	190	226
Increase (decrease) in retirement benefit liability	143	285
Interest and dividend income	(12,985)	(19,039)
Interest expenses	105	82
Foreign exchange losses (gains)	(21,874)	(11,998)
Loss (gain) on sale of investment securities	(3,203)	(1,235)
Loss (gain) on valuation of investment securities	34	—
Decrease (increase) in trade receivables	(10,014)	31,089
Decrease (increase) in inventories	(106,728)	(74,481)
Increase (decrease) in trade payables	6,332	(26,267)
Decrease (increase) in other current assets	(6,023)	(2,279)
Increase (decrease) in other current liabilities	3,690	(2,800)
Other, net	(5,467)	(10,723)
Subtotal	178,632	169,140
Interest and dividends received	14,692	18,820
Interest paid	(125)	(82)
Income taxes refund (paid)	(91,581)	(89,671)
Net cash provided by (used in) operating activities	101,617	98,207
Cash flows from investing activities		
Payments into time deposits	(190,302)	(124,751)
Proceeds from withdrawal of time deposits	207,357	139,812
Purchase of property, plant and equipment	(72,180)	(102,347)
Purchase of intangible assets	(2,197)	(1,961)
Purchase of short-term and long-term investment securities	(60,795)	(67,278)
Proceeds from sale and redemption of short-term and long-term investment securities	18,731	24,140
Purchase of insurance funds	(9,553)	(8,819)
Proceeds from maturity of insurance funds	19,588	6,572
Other, net	2,265	2,733
Net cash provided by (used in) investing activities	(87,086)	(131,900)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,276	(181)
Proceeds from long-term borrowings	2,307	3,100
Repayments of long-term borrowings	(6,936)	(2,051)
Purchase of treasury shares	(55,030)	(30,628)
Purchase of treasury shares of subsidiaries	(44)	—
Dividends paid	(58,776)	(58,063)
Other, net	(95)	(103)
Net cash provided by (used in) financing activities	(113,299)	(87,928)
Effect of exchange rate change on cash and cash equivalents	30,796	35,884
Net increase (decrease) in cash and cash equivalents	(67,972)	(85,737)
Cash and cash equivalents at beginning of period	559,296	491,324
Cash and cash equivalents at end of period	491,324	405,586

(Note) In the consolidated financial statements, amounts are rounded down to match the unit in which they are presented.

SMC Corporation

Akihabara UDX Building (15F), 4-14-1, Soto-Kanda, Chiyoda-ku, Tokyo 101-0021, Japan
<https://www.smcworld.com/ir/en-jp/>