

Consolidated Financial Highlights for the First Quarter ended June 30, 2020 [under Japanese GAAP]

Company name : **SMC Corporation**
 Stock exchange listing : **Tokyo Stock Exchange First Section**
 Security code : **6273**
 URL : <https://www.smcworld.com/ir/en/>
 Representative : **Katsunori Maruyama, President**
 Contact person : **Masahiro Ota, Director and Executive Officer**
 Projected date of filing quarterly report : **August 7, 2020**
 Projected starting date of dividend payment : **—**

1. Consolidated Financial Highlights for the First Quarter ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results

(Millions of yen)

First Quarter ended June 30	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2020	128,052 (5.3%)	35,028 (10.5%)	36,769 0.0%	23,208 (14.2%)
2019	135,255 (13.9%)	39,121 (25.8%)	36,767 (40.3%)	27,035 (35.4%)

(Note) Comprehensive income 1Q ended June 30, 2020 : ¥ 28,518 million —%
 1Q ended June 30, 2019 : ¥ (1,630)million —%

(Yen)

First Quarter ended June 30	Net income per share	Net income per share (diluted basis)
2020	348.90	—
2019	402.44	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
June 30, 2020	1,417,163	1,268,468	89.3%
March 31, 2020	1,390,539	1,253,266	89.9%

(Reference) Shareholders' equity As of June 30, 2020 : ¥ 1,265,385million
 As of March 31, 2020 : ¥ 1,250,188million

2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2020 (Actual)	—	200.00	—	200.00	400.00
2021 (Actual)	—	NA	NA	NA	NA
2021 (Projected)	NA	Undetermined	—	Undetermined	Undetermined

(Note) 1. Revision of dividends forecast during this period : None
 2. Breakdown of the dividend per share : 2020 2Q (Actual) Ordinary dividend:¥100.00 Special dividend:¥100.00

3. Forecasts of Consolidated Operating Results for the Year ending March 31, 2021

(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, 2020	225,000 (14.9%)	46,000 (37.4%)	50,000 (31.5%)	36,000 (32.8%)	541.20
Year ending March 31, 2021	450,000 (14.4%)	92,000 (37.1%)	100,000 (36.9%)	72,000 (34.8%)	1,082.40

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

* Notes

- (1) Changes in significant subsidiaries during the first quarter ended June 30, 2020 : 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, 2020	67,369,359
As of March 31, 2020	67,369,359

2. Number of treasury shares

As of June 30, 2020	850,964
As of March 31, 2020	850,846

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

April 1, 2020 to June 30, 2020	66,518,479
April 1, 2019 to June 30, 2019	67,178,737

These consolidated quarterly 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 we consider to be reasonable at the time we released these consolidated quarterly financial highlights.

Some factors could cause actual results to differ from expectations.

1. Qualitative Information about the Quarterly Results

(1) Operating Results

During the period up to the first quarter of the fiscal year 2020 (from April 1, 2020 to June 30, 2020); capital investments continued to be withheld globally in a wide range of industries due to the strong uncertainty over the future of the global economy that has been suffering a huge blow from the spread of the Coronavirus (COVID-19) and the continued US-China conflicts.

In this situation, the demands for automatic control equipment within the semi-conductor industries were especially high in China and relatively steady in Korea, Singapore, Japan. The automotive and machine industries, again, saw high demands in China but remained sluggish in the other regions such as in North America, Europe and in Japan. For medical equipment, a great leap was seen in China and the food industry remained fairly steady within the overall market.

Under these circumstances, consolidated net sales of SMC group were 128,052 million yen (5.3% decrease from the previous corresponding period) and operating profit was 35,028 million yen (10.5% decrease) due to the fall in revenue. Ordinary profit was 36,769 million yen (0.0% increase) due to the large decrease in foreign exchange losses, profit before income taxes was 36,398 million yen (1.2% decrease), and profit attributable to owners of parent was 23,208 million yen (14.2% decrease).

ROE became 1.8%, declined by 0.4 points from the previous corresponding period.

(2) Financial Positions

Total assets as of the end of the first quarter of the fiscal year 2020 were 1,417,163 million yen, a 26,623 million yen (1.9%) increase from the previous fiscal year end. The main factors were a 25,678 million yen increase in cash and deposits and a 6,721 million yen increase in inventories, in spite of a 11,201 million yen decrease in “other” under current assets due to the accounts receivable associated with the securities (US treasury securities) redemption.

Total liabilities were 148,695 million yen, increased by 11,422 million yen (8.3%) from the previous fiscal year end. The main factors were a 5,927 million yen increase in notes and accounts payable-trade and a 4,299 million yen increase in provision for bonuses borrowings with the calculation period, in spite of a 2,193 million yen decrease in short term-borrowings.

Net assets were 1,268,468 million yen, increased by 15,201 million yen (1.2%) from the previous fiscal year end. The main factor was a 9,904 million yen increase in retained earnings, in spite of a 4,145 million yen decrease in a foreign currency translation adjustment with a strong yen.

Equity ratio became 89.3%.

(3) Consolidated Forecasts and Other Forward-Looking Information

There is no change to the consolidated forecast for the fiscal year 2021, announced in the "Consolidated Financial Highlights for the Year ended March 31, 2020 [under Japanese GAAP]" issued on May 15, 2020.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2020	First Quarter end -Current year As of June 30, 2020
[ASSETS]		
Current assets		
Cash and deposits	548,311	573,990
Notes and accounts receivable-trade	143,136	145,550
Securities	12,454	12,298
Merchandise and finished goods	103,456	108,153
Work in process	18,913	19,421
Raw materials and supplies	110,190	111,707
Other	28,603	17,402
Allowance for doubtful accounts	(517)	(473)
Total current assets	964,549	988,051
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,169	83,138
Machinery, equipment and vehicles, net	34,857	34,991
Land	38,611	38,817
Other, net	32,839	32,229
Total property, plant and equipment	188,477	189,177
Intangible assets	10,771	10,697
Investments and other assets		
Investment securities	74,791	76,809
Insurance funds	139,226	138,831
Other	14,171	15,035
Allowance for doubtful accounts	(1,448)	(1,439)
Total investments and other assets	226,740	229,237
Total non-current assets	425,989	429,112
Total assets	1,390,539	1,417,163

(Millions of yen)

	Year end -Previous year As of March 31, 2020	First Quarter end -Current year As of June 30, 2020
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	38,379	44,306
Short-term borrowings	3,726	1,533
Income taxes payable	14,669	14,475
Provision for bonuses	2,434	6,733
Other	35,155	35,916
Total current liabilities	94,364	102,965
Non-current liabilities		
Long-term borrowings	7,790	9,563
Provision for retirement benefits for directors	964	351
Retirement benefit liability	8,296	7,098
Other	25,857	28,716
Total non-current liabilities	42,908	45,729
Total liabilities	137,272	148,695
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,335	73,335
Retained earnings	1,182,014	1,191,919
Treasury shares	(30,432)	(30,439)
Total shareholders' equity	1,285,922	1,295,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,344	7,560
Foreign currency translation adjustment	(40,084)	(35,939)
Remeasurements of defined benefit plans	(1,994)	(2,057)
Total accumulated other comprehensive income	(35,734)	(30,435)
Non-controlling interests	3,078	3,083
Total net assets	1,253,266	1,268,468
Total liabilities and net assets	1,390,539	1,417,163

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income

Consolidated Quarterly Statement of Income

(Millions of yen)

	First Quarter ended June 30, 2019 From April 1, 2019 to June 30, 2019	First Quarter ended June 30, 2020 From April 1, 2020 to June 30, 2020
Net sales	135,255	128,052
Cost of sales	67,316	66,953
Gross profit	67,939	61,098
Selling, general and administrative expenses	28,818	26,070
Operating profit	39,121	35,028
Non-operating income		
Interest income	2,358	2,016
Other	1,450	1,136
Total non-operating income	3,808	3,153
Non-operating expenses		
Interest expenses	35	34
Sales discounts	68	84
Foreign exchange losses	5,774	1,257
Other	283	35
Total non-operating expenses	6,162	1,411
Ordinary profit	36,767	36,769
Extraordinary income		
Gain on sales of non-current assets	72	15
Gain on liquidation of subsidiaries	117	—
Other	24	6
Total extraordinary income	214	21
Extraordinary losses		
Loss on sales of non-current assets	47	16
Loss on retirement of non-current assets	80	184
Loss on valuation of shares of subsidiaries and associates	—	104
Other	0	88
Total extraordinary losses	128	393
Profit before income taxes	36,853	36,398
Income taxes	9,806	13,232
Profit	27,047	23,166
Profit (loss) attributable to non-controlling interests	11	(42)
Profit attributable to owners of parent	27,035	23,208

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	First Quarter ended June 30, 2019 From April 1, 2019 to June 30, 2019	First Quarter ended June 30, 2020 From April 1, 2020 to June 30, 2020
Profit	27,047	23,166
Other comprehensive income		
Valuation difference on available-for-sale securities	(852)	1,270
Foreign currency translation adjustment	(27,765)	4,144
Remeasurements of defined benefit plans, net of tax	(60)	(63)
Total other comprehensive income	(28,677)	5,352
Comprehensive income	(1,630)	28,518
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(1,674)	28,507
Comprehensive income attributable to non-controlling interests	44	11

(3) Notes to Consolidated Quarterly 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 tax was 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.

3. Supplementary Information

(1) Geographic segment information

(Millions of yen)

	First Quarter ended June 30, 2020							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1) Sales to external customers	38,016	16,723	19,519	51,676	2,115	128,052	—	128,052
(2) Intersegment sales	51,426	1,217	357	13,000	2	66,004	(66,004)	—
Total	89,443	17,941	19,876	64,677	2,118	194,057	(66,004)	128,052
Operating profit	22,262	2,031	2,009	9,554	106	35,966	(937)	35,028

(2) Consolidated capital expenditures, Depreciation and R&D expenses

(Millions of yen)

	First Quarter ended June 30, 2020		Year ending March 31, 2021 (Forecast)	
Capital expenditures	4,626	(54.1%)	40,000	4.2%
Depreciation	4,363	12.8%	18,800	12.8%
R&D expenses	4,946	(7.0%)	22,000	2.4%

(3) Consolidated full-time employees and temporary employee

(Number of personnel)

	First Quarter ended June 30, 2020	Increase from last year end
Full-time employees (at end)	20,771	(82)
Temporary employees (average)	5,122	(4)