

Consolidated Financial Highlights for the Second Quarter ended September 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 : **November 13, 2020**
 Projected starting date of dividend payment : **December 1, 2020**

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

(1) Consolidated Operating Results

(Millions of yen)

Second Quarter ended September 30	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2020	251,993 (4.7%)	65,045 (11.5%)	68,272 (6.4%)	46,281 (13.7%)
2019	264,470 (12.6%)	73,472 (24.6%)	72,972 (35.1%)	53,603 (29.5%)

(Note) Comprehensive income 2Q ended September 30, 2020 : ¥ 56,281 million 535.4 %
 2Q ended September 30, 2019 : ¥ 8,857 million (89.4)%

(Yen)

Second Quarter ended September 30	Net income per share	Net income per share (diluted basis)
2020	695.78	—
2019	801.23	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
September 30, 2020	1,437,187	1,296,044	90.0%
March 31, 2020	1,390,539	1,253,266	89.9%

(Reference) Shareholders' equity As of September 30, 2020 : ¥ 1,293,028 million
 As of March 31, 2020 : ¥ 1,250,188 million

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)	—	200.00	NA	NA	NA
2021 (Projected)	NA	NA	—	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)
Year ending March 31, 2021	480,000 (8.7%)	116,000 (20.7%)	125,000 (21.1%)	86,500 (21.7%)	1,300.40

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

* Notes

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

2. Number of treasury shares

As of September 30, 2020	854,025
As of March 31, 2020	850,846

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

April 1, 2020 to September 30, 2020	66,517,609
April 1, 2019 to September 30, 2019	66,900,557

(Note) The company's shares held by the Board Benefit Trust (BBT) for the Directors' Stock Compensation Plan (3,000 shares as of the second quarter of the fiscal year ending March 2021) 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 we consider to be reasonable at the time we released these quarterly consolidated 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 second quarter of the fiscal year 2020 (from April 1, 2020 to September 30, 2020); capital investments continued to be withheld globally in a wide range of industries due to the higher uncertainty over the future of the global economy, which has been continuously suffering a huge blow from the spread of the Coronavirus (COVID-19) and the continued US-China trade tensions with no recovery in sight.

In spite of the situation, the demands for automatic control equipment within the semi-conductor industries remained high in China but saw sluggish growth in the other regions. The automotive and machine industries, again, saw continuous high demands in China but remained sluggish in other regions such as in North America, Europe and Japan. Medical equipment, still saw a great leap in China and the food industry remained fairly steady within the overall market.

Under these circumstances, consolidated net sales of SMC group were 251,993 million yen (decreased by 4.7% from the previous corresponding period) and operating profit was 65,045 million yen (decreased by 11.5%) due to the fall in revenue with an impact from the appreciation of the yen against the US dollar. Ordinary profit was 68,272 million yen (decreased by 6.4%) due to the large decrease in foreign exchange losses, profit before income taxes was 67,843 million yen (decreased by 7.0%), and profit attributable to owners of parent was 46,281 million yen (decreased by 13.7%).

ROE became 3.6%, declined by 0.8 points from the previous corresponding period.

(2) Financial Positions

Total assets as of the end of the second quarter of the fiscal year 2020 were 1,437,187 million yen, a 46,648 million yen (3.4%) increase from the previous fiscal year end. The main factors were a 39,552 million yen increase in cash and deposits and a 9,699 million yen increase in inventories, in spite of a 9,858 million yen decrease in “other” under current assets due to the accounts receivable associated with the securities (US treasury securities) redemption.

Total liabilities were 141,143 million yen, increased by 3,870 million yen (2.8%) from the previous fiscal year end. The main factor was a 5,216 million yen increase in income taxes payable, in spite of a 1,749 million yen decrease in notes and accounts payable-trade.

Net assets were 1,296,044 million yen, increased by 42,777 million yen (3.4%) from the previous fiscal year end. The main factor was a 32,978 million yen increase in retained earnings, in spite of a 8,681 million yen decrease in foreign currency translation adjustment with a strong yen.

Equity ratio became 90.0%.

(3) Consolidated Forecasts and Other Forward-Looking Information

There has been no change to the consolidated forecast for the fiscal year 2021, announced in the "Notice on the Revision to the Financial Forecasts" issued on October 30, 2020.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2020	Second Quarter end -Current year As of September 30, 2020
[ASSETS]		
Current assets		
Cash and deposits	548,311	587,864
Notes and accounts receivable-trade	143,136	140,473
Securities	12,454	12,062
Merchandise and finished goods	103,456	111,423
Work in process	18,913	18,925
Raw materials and supplies	110,190	111,910
Other	28,603	18,744
Allowance for doubtful accounts	(517)	(505)
Total current assets	964,549	1,000,900
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,169	82,399
Machinery, equipment and vehicles, net	34,857	35,117
Land	38,611	39,085
Other, net	32,839	34,443
Total property, plant and equipment	188,477	191,047
Intangible assets	10,771	10,821
Investments and other assets		
Investment securities	74,791	77,958
Insurance funds	139,226	144,056
Other	14,171	13,831
Allowance for doubtful accounts	(1,448)	(1,426)
Total investments and other assets	226,740	234,419
Total non-current assets	425,989	436,287
Total assets	1,390,539	1,437,187

(Millions of yen)

	Year end -Previous year As of March 31, 2020	Second Quarter end -Current year As of September 30, 2020
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	38,379	36,629
Short-term borrowings	3,726	1,709
Income taxes payable	14,669	19,885
Provision for bonuses	2,434	2,939
Other	35,155	34,654
Total current liabilities	94,364	95,818
Non-current liabilities		
Long-term borrowings	7,790	10,006
Provision for retirement benefits for directors	964	360
Provision for share-based remuneration for directors	—	19
Retirement benefit liability	8,296	6,786
Other	25,857	28,151
Total non-current liabilities	42,908	45,324
Total liabilities	137,272	141,143
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,335	73,335
Retained earnings	1,182,014	1,214,993
Treasury shares	(30,432)	(30,616)
Total shareholders' equity	1,285,922	1,318,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,344	7,835
Foreign currency translation adjustment	(40,084)	(31,403)
Remeasurements of defined benefit plans	(1,994)	(2,120)
Total accumulated other comprehensive income	(35,734)	(25,689)
Non-controlling interests	3,078	3,016
Total net assets	1,253,266	1,296,044
Total liabilities and net assets	1,390,539	1,437,187

(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, 2019 From April 1, 2019 to September 30, 2019	Second Quarter ended September 30, 2020 From April 1, 2020 to September 30, 2020
Net sales	264,470	251,993
Cost of sales	134,191	133,533
Gross profit	130,278	118,460
Selling, general and administrative expenses	56,806	53,415
Operating profit	73,472	65,045
Non-operating income		
Interest income	5,509	3,935
Other	2,138	1,799
Total non-operating income	7,648	5,735
Non-operating expenses		
Interest expenses	75	73
Sales discounts	125	165
Foreign exchange losses	7,626	1,931
Other	320	337
Total non-operating expenses	8,148	2,508
Ordinary profit	72,972	68,272
Extraordinary income		
Gain on sales of non-current assets	123	81
Gain on liquidation of subsidiaries	117	—
Other	28	14
Total extraordinary income	269	95
Extraordinary losses		
Loss on sales of non-current assets	66	31
Loss on retirement of non-current assets	88	247
Loss on valuation of shares of subsidiaries	159	—
Other	0	245
Total extraordinary losses	315	525
Profit before income taxes	72,925	67,843
Income taxes	19,246	21,688
Profit	53,679	46,154
Profit (loss) attributable to non-controlling interests	76	(127)
Profit attributable to owners of parent	53,603	46,281

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Second Quarter ended September 30, 2019 From April 1, 2019 to September 30, 2019	Second Quarter ended September 30, 2020 From April 1, 2020 to September 30, 2020
Profit	53,679	46,154
Other comprehensive income		
Valuation difference on available-for-sale securities	(478)	1,570
Foreign currency translation adjustment	(44,222)	8,682
Remeasurements of defined benefit plans, net of tax	(120)	(126)
Total other comprehensive income	(44,821)	10,126
Comprehensive income	8,857	56,281
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	8,802	56,327
Comprehensive income attributable to non-controlling interests	55	(46)

(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 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)

	Second Quarter ended September 30, 2020							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1) Sales to external customers	70,969	34,678	40,618	101,044	4,683	251,993	—	251,993
(2) Intersegment sales	98,388	2,268	733	24,721	14	126,125	(126,125)	—
Total	169,357	36,946	41,351	125,766	4,697	378,119	(126,125)	251,993
Operating profit	40,693	4,606	4,330	16,847	383	66,861	(1,815)	65,045

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

(Millions of yen)

	Second Quarter ended September 30, 2020		Year ending March 31, 2021 (Forecast)	
Capital expenditures	11,205	(46.4%)	30,000	(21.8%)
Depreciation	8,937	13.0%	18,800	12.8%
R&D expenses	10,181	(6.8%)	22,000	2.4%

(Note) Capital expenditures for the fiscal year ending March 31, 2021 has been changed from the initial forecast (40,000 million yen) to the above amount.

(3) Foreign currency exchange rates

	Second Quarter ended September 30, 2020		Year ending March 31, 2021 (Forecast)
	(average)	(at end)	(average)
U S \$	¥ 106.92	¥ 105.81	¥ 105
E U R	¥ 121.32	¥ 124.16	¥ 121
C N Y	¥ 15.26	¥ 15.54	¥ 15

(Note) Predicted average exchange rates of US\$ and EUR for the fiscal year ending March 31, 2021 are respectively changed as above from the initial forecast (1 US\$ = 106 yen and 1 EUR = 116 yen).

(4) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	Second Quarter ended September 30, 2020	Difference from last year end
Full-time employees (at end)	20,763	(90)
Temporary employees (average)	5,094	(32)