

Consolidated Financial Highlights for the Third Quarter ended December 31, 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 : **February 12, 2021**
 Projected starting date of dividend payment : **—**

1. Consolidated Financial Highlights for the Third Quarter ended December 31, 2020 (April 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results

(Millions of yen)

Third Quarter ended December 31	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2020	391,891 (1.0%)	105,871 (3.9%)	109,866 (4.6%)	77,487 (6.3%)
2019	395,935 (10.9%)	110,141 (21.8%)	115,223 (25.3%)	82,656 (23.9%)

(Note) Comprehensive income 3Q ended December 31, 2020 : ¥ 99,319 million 52.5%
 3Q ended December 31, 2019 : ¥ 65,111 million (27.8%)

(Yen)

Third Quarter ended December 31	Net income per share	Net income per share (diluted basis)
2020	1,164.93	—
2019	1,237.88	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
December 31, 2020	1,464,711	1,325,769	90.3%
March 31, 2020	1,390,539	1,253,266	89.9%

(Reference) Shareholders' equity As of December 31, 2020 : ¥ 1,322,670 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
2021 (Projected)	NA	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	525,000 (0.2%)	141,000 (3.6%)	146,000 (7.9%)	105,000 (5.0%)	1,578.54

(Note) Revision of forecasts of operating results during this period : Yes

* Notes

(1) Changes in significant subsidiaries during the third quarter ended December 31, 2020 : None

(Note) As announced in the “Notice on the Reformation of Consolidated Subsidiaries in China and Change of Specified Subsidiaries” issued on December 25, 2020, the company has established a holding company “SMC Investment Management China Co., Ltd.” and a sales headquarter company “SMC Automation China Co., Ltd.” in China. Both companies’ reformations and increases in share capitals are implemented in phases and the two companies are expected to become specified subsidiaries and will join the company’s consolidated subsidiaries by the end of the fourth quarter, ending March 31, 2021.

(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 December 31, 2020	67,369,359
As of March 31, 2020	67,369,359

2. Number of treasury shares

As of December 31, 2020	854,133
As of March 31, 2020	850,846

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

April 1, 2020 to December 31, 2020	66,516,819
April 1, 2019 to December 31, 2019	66,772,823

(Note) The company’s shares held by the Board Benefit Trust (BBT) for the Directors’ Stock Compensation Plan (3,000 shares as of the third 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 nine 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

1. The revised forecasts of operating results for the fiscal year ending March 31, 2021 (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 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 period up to the third quarter of the fiscal year 2020 (from April 1, 2020 to December 31, 2020); capital investment demands within a wide range of industries lacked strength due to a higher uncertainty over the future of the global economy due to US political turmoil, in addition to the situation where the end of the spread of the Coronavirus (COVID-19) and the recovery of the US-China trade tensions are nowhere in sight.

In spite of this situation, the demands for automatic control equipment within the semi-conductor industries remained high in China and in a portion of Asia. In addition, other regions saw recoveries up to the previous year levels. 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 391,891 million yen (decreased by 1.0% from the previous corresponding period) and operating profit was 105,871 million yen (decreased by 3.9%) due to the fall in revenue with an impact from the appreciation of the yen against the US dollar. Ordinary profit was 109,866 million yen (decreased by 4.6%) due to the decrease in interest income despite the decrease in foreign exchange losses. Profit before income taxes was 109,915 million yen (decreased by 4.4%), and profit attributable to owners of parent was 77,487 million yen (decreased by 6.3%).

ROE became 6.0%, declined by 0.6 points from the previous corresponding period.

(2) Financial Positions

Total assets as of the end of the third quarter of the fiscal year 2020 were 1,464,711 million yen, a 74,171 million yen (5.3%) increase from the previous fiscal year end. The main factors were a 48,594 million yen increase in cash and deposits and a 12,451 million yen increase in inventories due to a stagnation in supply chains affected by the Coronavirus (COVID-19) and the strategical increase in inventory considering a recovery in the semiconductor related industries. This was in spite of a 9,105 million yen decrease in “other” under current assets due to the accounts receivable associated with the securities (US treasury securities) redemption.

Total liabilities were 138,942 million yen, increased by 1,669 million yen (1.2%) from the previous fiscal year end. The main factor was a 5,370 million yen increase in provision for bonuses, despite a 4,372 million yen decrease in “other” under current liabilities due to the accounts payable - other, and accrued expenses.

Total net assets were 1,325,769 million yen, increased by 72,502 million yen (5.8%) from the previous fiscal year end. The main factor was a 50,880 million yen increase in retained earnings, in spite of a 19,031 million yen decrease in foreign currency translation adjustment with a strong yen.

Equity ratio became 90.3%.

(3) Consolidated Forecasts and Other Forward-Looking Information

Since the demands in the semiconductor related industries and the demands around the Chinese market are increasing at a pace far exceeding the company's expectations, revisions to the consolidated forecast for the fiscal year 2020, announced in the "Notice on the Revision to the Financial Forecasts" issued on October 30, 2020 are made as below.

The average exchange rates for the fiscal year as a premise of the revised forecasts are changed to:
1 US\$ = 105.60yen (previous forecast 105 yen), 1 EUR = 123.70 yen (121 yen) and 1 CNY = 15.70 yen (15 yen), respectively.

Revision to consolidated financial forecasts for the fiscal year ending March 31, 2021

(Period from April 1, 2020 through March 31, 2021)

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Net Income per share
Previous Forecasts (A)	(Millions of Yen) 480,000	(Millions of Yen) 116,000	(Millions of Yen) 125,000	(Millions of Yen) 86,500	(Yen) 1,300.40
Revised Forecasts (B)	525,000	141,000	146,000	105,000	1,578.54
Increased / Decreased Amount (B-A)	45,000	25,000	21,000	18,500	—
Rate of Change (%)	9.4	21.6	16.8	21.4	—

<Reference>

Results of the FY 2019 (Year ended March 31, 2020)	526,000	146,254	158,450	110,500	1,656.44
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2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2020	Third Quarter end -Current year As of December 31, 2020
[ASSETS]		
Current assets		
Cash and deposits	548,311	596,906
Notes and accounts receivable-trade	143,136	149,956
Securities	12,454	10,391
Merchandise and finished goods	103,456	111,006
Work in process	18,913	19,357
Raw materials and supplies	110,190	114,647
Other	28,603	19,498
Allowance for doubtful accounts	(517)	(547)
Total current assets	964,549	1,021,216
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,169	81,267
Machinery, equipment and vehicles, net	34,857	35,388
Land	38,611	39,325
Other, net	32,839	37,998
Total property, plant and equipment	188,477	193,979
Intangible assets	10,771	10,737
Investments and other assets		
Investment securities	74,791	81,637
Insurance funds	139,226	144,026
Other	14,171	14,541
Allowance for doubtful accounts	(1,448)	(1,427)
Total investments and other assets	226,740	238,778
Total non-current assets	425,989	443,494
Total assets	1,390,539	1,464,711

(Millions of yen)

	Year end -Previous year As of March 31, 2020	Third Quarter end -Current year As of December 31, 2020
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	38,379	40,662
Short-term borrowings	3,726	1,667
Income taxes payable	14,669	14,857
Provision for bonuses	2,434	7,804
Other	35,155	30,782
Total current liabilities	94,364	95,775
Non-current liabilities		
Long-term borrowings	7,790	9,664
Provision for retirement benefits for directors	964	413
Provision for share-based remuneration for directors	—	38
Retirement benefit liability	8,296	6,765
Other	25,857	26,284
Total non-current liabilities	42,908	43,167
Total liabilities	137,272	138,942
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,335	73,335
Retained earnings	1,182,014	1,232,895
Treasury shares	(30,432)	(30,623)
Total shareholders' equity	1,285,922	1,336,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,344	9,294
Foreign currency translation adjustment	(40,084)	(21,053)
Remeasurements of defined benefit plans	(1,994)	(2,184)
Total accumulated other comprehensive income	(35,734)	(13,942)
Non-controlling interests	3,078	3,098
Total net assets	1,253,266	1,325,769
Total liabilities and net assets	1,390,539	1,464,711

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

Quarterly Consolidated Statement of Income

(Millions of yen)

	Third Quarter ended December 31, 2019 From April 1, 2019 to December 31, 2019	Third Quarter ended December 31, 2020 From April 1, 2020 to December 31, 2020
Net sales	395,935	391,891
Cost of sales	200,212	204,912
Gross profit	195,723	186,979
Selling, general and administrative expenses	85,581	81,107
Operating profit	110,141	105,871
Non-operating income		
Interest income	7,964	5,425
Other	3,099	2,792
Total non-operating income	11,064	8,218
Non-operating expenses		
Interest expenses	104	132
Sales discounts	300	262
Foreign exchange losses	5,189	3,344
Other	387	483
Total non-operating expenses	5,983	4,223
Ordinary profit	115,223	109,866
Extraordinary income		
Gain on sales of non-current assets	161	594
Gain on sales of investment securities	212	40
Gain on liquidation of subsidiaries	117	—
Other	13	9
Total extraordinary income	504	644
Extraordinary losses		
Loss on retirement of non-current assets	216	296
Loss on sales of investment securities	311	5
Loss on valuation of shares of subsidiaries	159	—
Other	84	293
Total extraordinary losses	772	595
Profit before income taxes	114,956	109,915
Income taxes	32,202	32,546
Profit	82,753	77,369
Profit (loss) attributable to non-controlling interests	96	(118)
Profit attributable to owners of parent	82,656	77,487

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Third Quarter ended December 31, 2019 From April 1, 2019 to December 31, 2019	Third Quarter ended December 31, 2020 From April 1, 2020 to December 31, 2020
Profit	82,753	77,369
Other comprehensive income		
Valuation difference on available-for-sale securities	2,262	3,098
Foreign currency translation adjustment	(19,724)	19,042
Remeasurements of defined benefit plans, net of tax	(180)	(190)
Total other comprehensive income	(17,642)	21,950
Comprehensive income	65,111	99,319
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	64,975	99,280
Comprehensive income attributable to non-controlling interests	136	39

(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 third 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.

(Significant subsequent events)

(Repurchase of own shares)

The Company resolved at the board of directors' meeting held on February 12, 2021, 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 440,000 shares (0.6% of outstanding shares (excluding treasury shares))

(3) Total amount of repurchase

Up to 30,000 million yen

(4) Period of repurchase

From February 24, 2021 to March 24, 2021

(5) Method of repurchase

Market purchase on the Tokyo Stock Exchange

3. Supplementary Information

(1) Geographic segment information

(Millions of yen)

	Third Quarter ended December 31, 2020							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1) Sales to external customers	109,351	53,251	63,357	158,696	7,234	391,891	—	391,891
(2) Intersegment sales	153,246	3,120	1,040	35,887	16	193,311	(193,311)	—
Total	262,597	56,372	64,397	194,584	7,251	585,202	(193,311)	391,891
Operating profit	66,201	7,498	6,616	27,819	666	108,803	(2,932)	105,871

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

(Millions of yen)

	Third Quarter ended December 31, 2020		Year ending March 31, 2021 (Forecast)	
Capital expenditures	17,861	(40.3%)	25,000	(34.8%)
Depreciation	13,684	12.3%	19,300	15.8%
R&D expenses	15,381	(6.0%)	22,000	2.4%

(Note) Predicted capital expenditures and depreciation for the fiscal year ending March 31, 2021 are respectively changed to the above amounts from the latest revised forecasts (30,000 million yen and 18,800 million yen).

(3) Foreign currency exchange rates

	Third Quarter ended December 31, 2020		Year ending March 31, 2021 (Forecast)
	(average)	(at end)	(average)
U S \$	¥ 106.13	¥ 103.62	¥ 105.60
E U R	¥ 122.38	¥ 126.30	¥ 123.70
C N Y	¥ 15.44	¥ 15.90	¥ 15.70

(Note) Predicted average exchange rates of US\$, EUR and CNY for the fiscal year ending March 31, 2021 are respectively changed to the above amounts from the latest revised forecasts (1 US\$ = 105 yen, 1 EUR = 121 yen and 1 CNY = 15 yen).

(4) Consolidated Full-time employees and Temporary employees

(Number of personnel)

	Third Quarter ended December 31, 2020	Difference from last year end
Full-time employees (at end)	20,704	(149)
Temporary employees (average)	5,082	(44)