May 15, 2020

Consolidated Financial Highlights for the Year ended March 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 annual shareholders' meeting : **June 26, 2020**
Projected date of filing Annual report : **June 26, 2020**
Projected starting date of dividend payment : **June 29, 2020**

1. Consolidated Financial Highlights for the Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen, except per share figures)

(1) Consolidated Operating Results

Fiscal Year ended March 31	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2020	526,000 (8.8%)	146,254 (18.8%)	158,450 (20.1%)	110,500 (15.4%)
2019	576,948 (2.4%)	180,203 (6.4%)	198,201 0.7%	130,631 (4.6%)

Fiscal Year ended March 31	Net income per share (Yen)	Net income per share (diluted basis) (Yen)	Return on equity	Return on assets	Operating income ratio
2020	1,656.44	—	8.9%	11.4%	27.8%
2019	1,943.35	—	10.9%	14.5%	31.2%

(Note) Comprehensive income Year ended March 31, 2020 : ¥ 55,053 million (54.0%)
Year ended March 31, 2019 : ¥ 119,759 million (18.1%)

(2) Consolidated Financial Positions

As of March 31	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
2020	1,390,539	1,253,266	89.9%	18,794.58
2019	1,389,308	1,243,252	89.3%	18,447.39

(Reference) Shareholders' equity As of March 31, 2020 : ¥ 1,250,188 million
As of March 31, 2019 : ¥ 1,240,019 million

(3) Consolidated Cash Flows

Fiscal Year ended March 31	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at the end of period
2020	124,610	24,923	(49,925)	399,128
2019	75,627	(58,800)	(26,151)	312,366

2. Dividends

For the year ended March 31	Dividend per share (Yen)					Total dividends	Dividend ratio	Dividend on equity
	1Q	2Q	3Q	4Q	Total			
2019(Actual)	—	200.00	—	200.00	400.00	26,887	20.6%	2.3%
2020(Actual)	—	200.00	—	200.00	400.00	26,607	24.1%	2.1%
2021(Projected)	—	*	—	*	*		*	

(Notes) Breakdown of the dividend per share 2019 2Q (Actual) Ordinary dividend: ¥100.00 Special dividend: ¥100.00
2019 4Q (Actual) Ordinary dividend: ¥100.00 Special dividend: ¥100.00
2020 2Q (Actual) Ordinary dividend: ¥100.00 Special dividend: ¥100.00

＊Dividends for 2021 2Q and 4Q are not determined yet.

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

＊Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2020: None

(2) 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

(3) Number of shares issued

	As of March 31,2020	As of March 31,2019
1. Number of common shares issued (including treasury shares)	67,369,359	67,369,359
2. Number of treasury shares	850,846	150,139
3. Average number of common shares for the year	66,709,601	67,219,481

< Reference >

Non-consolidated Financial Highlights for the Year ended March 31, 2020

(April 1, 2019 to March 31, 2020) (Millions of yen, except per share figures)

(1) Non-consolidated Operating Results

Fiscal Year ended March 31	Net sales	Operating profit	Ordinary profit	Profit	Net income per share (Yen)
2020	333,045 (10.4%)	92,874 (16.6%)	92,755 (38.4%)	66,048 (41.5%)	990.08
2019	371,574 (5.8%)	111,362 (12.7%)	150,562 18.8%	112,907 24.9%	1,679.69

(2) Non-consolidated Financial Positions

As of March 31	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
2020	856,207	764,400	89.3%	11,491.54
2019	863,159	753,551	87.3%	11,210.35

(Reference) Shareholders' equity As of March 31, 2020 : ¥ 764,400 million
As of March 31, 2019: ¥ 753,551 million

These consolidated Financial Highlights are not subject to audit 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 Financial Highlights.

Some factors could cause actual results to differ from expectations.

1. Overview of Operating Results

(1) Overview of the fiscal year 2019

The 2019 fiscal year that ended on March 31, 2020 saw a very difficult global economy shift. The protracted US-China trade frictions, withheld investments within a wide range of industries, and in 2020, a worldwide outbreak of the Coronavirus disease (COVID-19) has had a deep impact on the global economy.

As for the demand for automatic control equipment; Even though a recovery trend in the semi-conductor industries around North America and in Asia seems to be on the horizon, the automobile and machine tools related industries have remained stagnant around the world.

Under these circumstances, the SMC Group has continuously been aggressively addressing vital tasks such as strengthening its supply chain management and rationalizing cost reductions inside and outside Japan. SMC has also been developing products with huge energy savings features and has been driving forward with cross-border coordinated sales activities.

As a result, consolidated net sales for the fiscal year 2019 were 526,000 million yen (8.8％ decrease year on year) and operating profit was 146,254 million yen (18.8％ decrease) mainly due to the fall in revenue. Ordinary profit was 158,450 million yen (20.1％ decrease) due to the foreign exchange losses and an increase in interest income, and profit attributable to owners of parent ended up with 110,500 million yen (15.4％ decrease).

ROE became 8.9％, declined by 2.0 points from previous period.

(2) Overview of financial positions

Total assets as of the end of the fiscal year 2019 were 1,390,539 million yen, which was an increase of 1,230 million yen (0.1％) yoy, mainly due to the increases in cash and deposits and in property, plant and equipment, although there were decreases in notes and accounts receivable-trade, in securities and in investment securities.

Total liabilities decreased by 8,783 million yen (6.0％) yoy to 137,272 million yen which the decreases in income taxes payable and other current liabilities contributed, although long-term borrowings and deferred tax liabilities increased.

Net assets increased by 10,014 million yen (0.8％) yoy to 1,253,266 million yen, due to the increases in retained earnings, although there were decreases by foreign currency transition adjustment and acquisition of treasury shares.

(3) Overview of cash flow

The balance of cash and cash equivalents (hereinafter “cash”) as of the end of the fiscal year 2019 was 399,128 million yen, an increase of 86,761 million yen yoy.

(Cash flow from operating activities)

Net cash provided by operating activities was 124,610 million yen (revenue increase of 48,982 million yen yoy), resulted by a decrease in profit before income taxes, a decrease in increase in inventories, an increase in trade payables and a decrease in income taxes paid.

(Cash flow from investing activities)

Net cash provided by investing activities was 24,923 million yen (previous fiscal year was an excess over expenditure of 58,800 million yen), resulted by an increase in proceeds from withdrawal of time deposits (an increase in net with payments into time deposits), an increase in purchase of property, plant and equipment and the decreases in proceeds from sales and redemption of short-term and long-term investment securities.

(Cash flow from financing activities)

Net cash used in financing activities was 49,925 million yen (an increase of 23,773 million yen yoy), resulted by an increase in purchase of treasury shares.

(4) Outlook for the next fiscal year

Currently, demands have been increasing in the semi-conductor related industries around Asia. Food and medical equipment have had strong showings, however, there has still been a continuous decreasing trend in the automobile and machine tools related industries. The stamp out of the spread of the COVID-19 is yet unforeseen and even with the fiscal policies taken in each country, the greatest recession is foreseen and this serious situation is expected to continue. Under these circumstances, SMC Group will continue to secure the production capacity, fulfilling selling and logistic channels and develop the information infrastructure in preparation for the time when demand will recover.

Although there is uncertainty in the economy, the consolidated financial results for the next fiscal year are forecasted to be as follows, assuming average exchange rates of the U.S. dollar, the euro and the Chinese yuan against Japanese yen are 106 yen, 116 yen and 15 yen respectively. Net sales 450,000 million yen, operating profit 92,000 million yen, ordinary profit 100,000 million yen and profit attributable to owners of parent 72,000 million yen.

2. Basic concept on selection of accounting standards

In order to maintain the adequacy in figure comparison at all times, SMC Group will continue to disclose consolidated financial statements in accordance with the accounting principles (GAAP) generally adopted in Japan.

We will appropriately consider adopting IFRS through addressing internal and external factors which affect both within and outside of Japan when necessary.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
[ASSETS]		
Current assets		
Cash and deposits	519,609	548,311
Notes and accounts receivable-trade	158,079	143,136
Securities	31,977	12,454
Merchandise and finished goods	102,936	103,456
Work in process	19,753	18,913
Raw materials and supplies	107,578	110,190
Other	28,449	28,603
Allowance for doubtful accounts	(460)	(517)
Total current assets	**967,924**	**964,549**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	73,752	82,169
Machinery, equipment and vehicles, net	27,928	34,857
Tools, furniture and fixtures, net	7,453	7,789
Land	38,194	38,611
Construction in progress	23,012	25,049
Total property, plant and equipment	**170,342**	**188,477**
Intangible assets		
Leasehold interests in land	9,046	8,649
Other	2,409	2,122
Total intangible assets	**11,456**	**10,771**
Investments and other assets		
Investment securities	96,320	74,791
Retirement benefit asset	48	35
Insurance funds	132,936	139,226
Deferred tax assets	6,021	5,859
Other	5,736	8,276
Allowance for doubtful accounts	(1,479)	(1,448)
Total investments and other assets	**239,585**	**226,740**
Total non-current assets	**421,384**	**425,989**
Total assets	**1,389,308**	**1,390,539**

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	38,513	38,379
Short-term borrowings	4,503	3,726
Income taxes payable	23,800	14,669
Provision for bonuses	2,894	2,434
Other	47,959	35,155
Total current liabilities	**117,670**	**94,364**
Non-current liabilities		
Long-term borrowings	2,735	7,790
Deferred tax liabilities	11,287	18,682
Provision for retirement benefits for directors	956	964
Retirement benefit liability	6,398	8,296
Other	7,007	7,175
Total non-current liabilities	**28,385**	**42,908**
Total liabilities	**146,056**	**137,272**
[NET ASSETS]		
Shareholders' equity		
Share capital	61,005	61,005
Capital surplus	73,372	73,372
Retained earnings	1,088,960	1,181,977
Treasury shares	(3,086)	(30,432)
Total shareholders' equity	**1,220,251**	**1,285,922**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,667	6,344
Foreign currency translation adjustment	12,824	(40,084)
Remeasurements of defined benefit plans	(724)	(1,994)
Total accumulated other comprehensive income	**19,767**	**(35,734)**
Non-controlling interests	**3,232**	**3,078**
Total net assets	**1,243,252**	**1,253,266**
Total liabilities and net assets	**1,389,308**	**1,390,539**

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

1. Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales	**576,948**	**526,000**
Cost of sales	**280,104**	**266,148**
Gross profit	**296,843**	**259,852**
Selling, general and administrative expenses	**116,640**	**113,597**
Operating profit	**180,203**	**146,254**
Non-operating income		
Interest income	9,301	10,710
Foreign exchange gains	2,827	–
Gain on investments in insurance funds	1,749	2,385
Other	4,902	3,692
Total non-operating income	**18,781**	**16,788**
Non-operating expenses		
Interest expenses	116	124
Sales discounts	261	390
Loss on sales of securities	281	474
Foreign exchange losses	–	3,335
Other	124	266
Total non-operating expenses	**783**	**4,592**
Ordinary profit	**198,201**	**158,450**
Extraordinary income		
Gain on sales of non-current assets	111	173
Gain on sales of investment securities	214	225
Gain on liquidation of subsidiaries	–	117
Other	15	22
Total extraordinary income	**341**	**538**
Extraordinary losses		
Loss on retirement of non-current assets	208	225
Loss on sales of investment securities	–	311
Loss on valuation of shares of subsidiaries	1,202	199
Other	50	118
Total extraordinary losses	**1,460**	**855**
Profit before income taxes	**197,081**	**158,133**
Income taxes-current	52,465	39,063
Income taxes-deferred	13,801	8,475
Total income taxes	**66,267**	**47,539**
Profit	**130,814**	**110,594**
Profit attributable to non-controlling interests	**183**	**93**
Profit attributable to owners of parent	**130,631**	**110,500**

2. Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Profit	**130,814**	**110,594**
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,287)	(1,349)
Foreign currency translation adjustment	(7,784)	(52,921)
Remeasurements of defined benefit plans, net of tax	17	(1,269)
Total other comprehensive income	**(11,054)**	**(55,540)**
Comprehensive income	**119,759**	**55,053**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	119,682	54,998
Comprehensive income attributable to non-controlling interests	77	55

(3) Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Net assets at beginning of period	61,005	73,372	985,216	(3,066)	1,116,528
Changes during period					
Dividends of surplus			(26,887)		(26,887)
Profit attributable to owners of parent			130,631		130,631
Purchase of treasury shares				(20)	(20)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	103,743	(20)	103,723
Net assets at end of period	61,005	73,372	1,088,960	(3,086)	1,220,251

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Net assets at beginning of period	10,864	20,594	(742)	30,716	3,171	1,150,416
Changes during period						
Dividends of surplus						(26,887)
Profit attributable to owners of parent						130,631
Purchase of treasury shares						(20)
Net changes in items other than shareholders' equity	(3,196)	(7,769)	17	(10,948)	61	(10,887)
Total changes during period	(3,196)	(7,769)	17	(10,948)	61	92,835
Net assets at end of period	7,667	12,824	(724)	19,767	3,232	1,243,252

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Net assets at beginning of period	61,005	73,372	1,088,960	(3,086)	1,220,251
Changes during period					
Dividends of surplus			(26,747)		(26,747)
Profit attributable to owners of parent			110,500		110,500
Purchase of treasury shares				(27,346)	(27,346)
Disposal of treasury shares		0		0	0
Change in scope of consolidation			9,301		9,301
Change in ownership interest of parent due to transactions with non-controlling interests			(37)		(37)
Net changes in items other than shareholders' equity					
Total changes during period	—	0	93,017	(27,346)	65,671
Net assets at end of period	61,005	73,372	1,181,977	(30,432)	1,285,922

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Net assets at beginning of period	7,667	12,824	(724)	19,767	3, 232	1,243,252
Changes during period						
Dividends of surplus						(26,747)
Profit attributable to owners of parent						110,500
Purchase of treasury shares						(27,346)
Disposal of treasury shares						0
Change in scope of consolidation						9,301
Change in ownership interest of parent due to transactions with non-controlling interests						(37)
Net changes in items other than shareholders' equity	(1,323)	(52,909)	(1,269)	(55,502)	(154)	(55,656)
Total changes during period	(1,323)	(52,909)	(1,269)	(55,502)	(154)	10,014
Net assets at end of period	6,344	(40,084)	(1,994)	(35,734)	3,078	1,253,266

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	197,081	158,133
Depreciation	16,255	16,669
Increase (decrease) in allowance for doubtful accounts	(243)	124
Increase (decrease) in provision for retirement benefits for directors	66	7
Increase (decrease) in retirement benefit liability	(599)	460
Interest and dividend income	(9,942)	(12,230)
Interest expenses	116	124
Foreign exchange losses (gains)	(2,863)	(252)
Loss (gain) on sales of investment securities	(214)	86
Loss (gain) on valuation of investment securities	1,202	205
Decrease (increase) in trade receivables	2,485	7,859
Decrease (increase) in inventories	(25,653)	(9,328)
Increase (decrease) in trade payables	(49,140)	4,319
Decrease (increase) in other current assets	1,000	(1,346)
Increase (decrease) in other current liabilities	873	(1,356)
Other, net	(2,229)	(3,409)
Subtotal	128,195	160,067
Interest and dividends received	9,925	12,024
Interest paid	(99)	(110)
Income taxes (paid) refund	(62,392)	(47,370)
Net cash provided by (used in) operating activities	**75,627**	**124,610**

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from investing activities		
Payments into time deposits	(301,880)	(216,171)
Proceeds from withdrawal of time deposits	276,719	280,556
Purchase of property, plant and equipment	(29,647)	(38,498)
Purchase of intangible assets	(1,672)	(481)
Purchase of short-term and long-term investment securities	(18,153)	(12,018)
Proceeds from sales and redemption of short-term and long-term investment securities	18,270	14,369
Loan advances	(0)	(0)
Collection of loans receivable	206	168
Purchase of insurance funds	(8,713)	(8,675)
Proceeds from maturity of insurance funds	5,003	4,106
Other, net	1,069	1,568
Net cash provided by (used in) investing activities	**(58,800)**	**24,923**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(30)	2,100
Proceeds from long-term borrowings	2,600	6,500
Repayments of long-term borrowings	(1,770)	(4,413)
Purchase of treasury shares	(20)	(27,346)
Dividends paid	(26,882)	(26,745)
Other, net	(48)	(19)
Net cash provided by (used in) financing activities	**(26,151)**	**(49,925)**
Effect of exchange rate change on cash and cash equivalents	**(999)**	**(17,054)**
Net increase (decrease) in cash and cash equivalents	**(10,323)**	**82,555**
Cash and cash equivalents at beginning of period	**322,690**	**312,366**
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	**—**	**4,206**
Cash and cash equivalents at the end of period	**312,366**	**399,128**

(5) Notes to consolidated financial statements

(Notes on going-concern assumption)

N/A

(Segment information, etc.)

[Segment information]

Reportable segment information on net sales and profit/loss

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment	Others	Total	Adjustment amount	Amount included in consolidated financial statements
	Automatic control equipment business				
Net sales					
Sales to external customers	574,803	2,144	576,948	—	576,948
Inter-segment sales or transfers	—	181	181	(181)	—
Total	574,803	2,325	577,129	(181)	576,948
Segment profit	185,287	219	185,507	(5,304)	180,203

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment	Others	Total	Adjustment amount	Amount included in consolidated financial statements
	Automatic control equipment business				
Net sales					
Sales to external customers	523,754	2,246	526,000	—	526,000
Inter-segment sales or transfers	—	189	189	(189)	—
Total	523,754	2,436	526,190	(189)	526,000
Segment profit	150,693	220	150,914	(4,659)	146,254

[Related information]

(1) Geographical Net sales

(Millions of yen)

Fiscal Year ended March 31	Japan	United States	China	Asia (excl. China)	Europe	Other	Total
2019	179,602	62,931	108,017	98,263	100,232	27,899	576,948
2020	158,832	60,442	96,423	92,895	92,878	24,528	526,000

(2) Geographical Property, plant and equipment

(Millions of yen)

Fiscal Year ended March 31	Japan	China	Asia (excl. China)	Other	Total
2019	69,855	33,562	27,807	39,116	170,342
2020	73,718	36,272	36,351	42,136	188,477

(Per share information)

	Previous consolidated FY (April 1, 2018 – March 31, 2019)	Current consolidated FY (April 1, 2019 – March 31, 2020)
Net assets per share	18,447.39 yen	18,794.58 yen
Net income per share	1,943.35 yen	1,656.44 yen

(Significant subsequent events)

N/A

4. Supplementary Information

(1) Geographic segment information (Millions of yen)

	Year ended March 31, 2020							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1) Sales to external customers	163,069	76,684	90,672	184,709	10,865	526,000	−	526,000
(2) Intersegment sales	191,394	3,070	1,870	47,100	16	243,451	(243,451)	−
Total	354,463	79,755	92,542	231,809	10,881	769,452	(243,451)	526,000
Operating profit	102,100	4,584	7,247	34,478	1,189	149,599	(3,344)	146,254

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

	Year ended March 31, 2020 (Actual)		Year ending March 31, 2021 (Forecast)	
Capital expenditures	38,370	20.1%	40,000	4.2%
Depreciation	16,669	2.5%	18,800	12.8%
R&D expenses	21,480	0.5%	22,000	2.4%

(3) Foreign currency exchange rates

	Year ended March 31, 2020 (Actual)		Year ending March 31, 2021 (Forecast)
	(average)	(at end)	(average)
U S $	¥ 108.71	¥ 108.83	¥ 106
E U R	¥ 120.80	¥ 119.65	¥ 116
C N Y	¥ 15.59	¥ 15.30	¥ 15

(4) Consolidated full-time employees and temporary employees (Number of personnel)

	Year ended March 31, 2020	increase from last year end
Full-time employees (at end)	20,853	1,107
Temporary employees (average)	5,126	(387)