Presentation of Financial Results for the Second Quarter Ended September 30,2014 (FY2014)

(Supplemental Material for Consolidated Financial Highlights)

November 12,2014

SMC Corporation

FY14 Half Year Results Briefing Conference

For the 6 months ended on September 30th, 2014

November 12, 2014

SMC Corporation

Katsunori Maruyama, President

Summary of Consolidated Results of The 1st Half in FY14

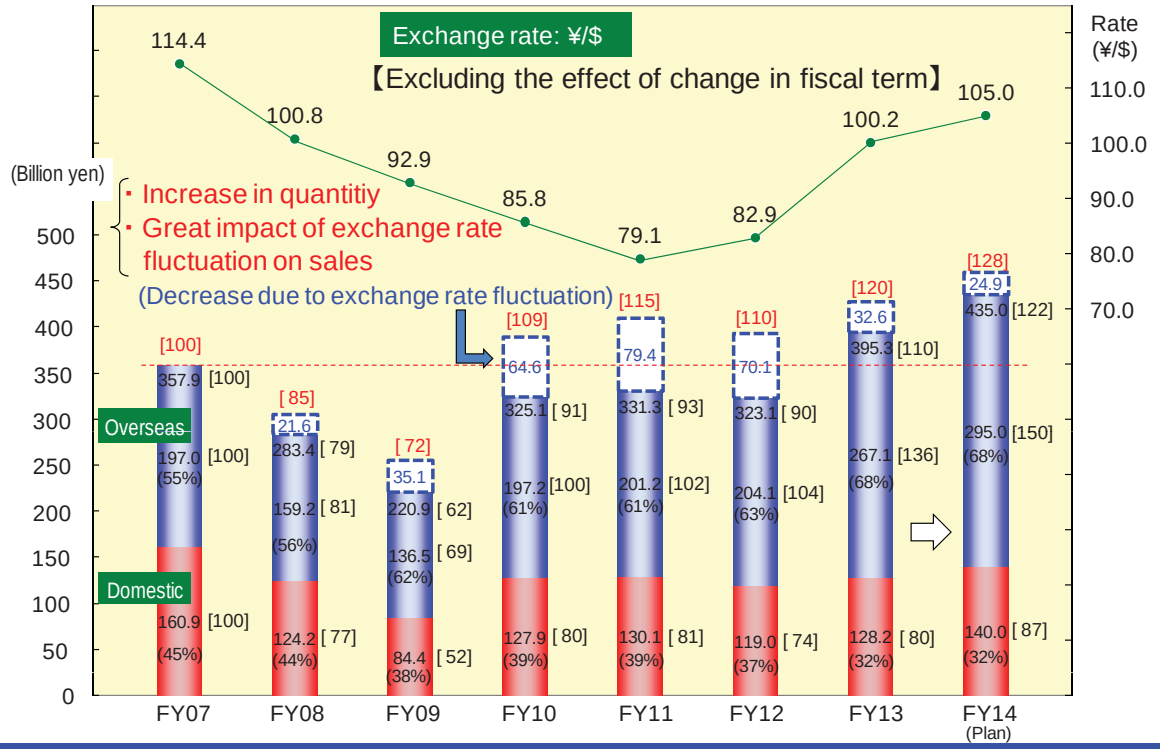
- Orders have shown increasing tendency in all regions.
- In the 1st quarter, orders had firm tone in all regions. Though orders slowed down in Asia and Europe in the 2nd quarter, they increased from the previous period throughout the 1st half.
- Sales and income increased mainly because of the weak yen effect and rationalization.
- Net sales increase: 15%, Operating income increase: 22%, Ordinary income increase: 22%
- The half term dividend per share is 90 yen.

Consolidated Result Summary of The 1st Half of FY14 Part 1

	1st half of FY13	1st half of FY14	1st half of FY14			
	Result	Plan	Result	Growth rate against Plan	year-on-year % change	Weak yen effect
Net sales (of which: Overseas net sales)	193.8 (132.4)	210.0 (141.7)	222.6 (153.4)	+6% +8%	+15% +16%	(+6.8)
Operating income (Operating income ratio)	51.9 (26.8%)	55.0 (26.2%)	63.1 (28.4%)	+15%	+22%	(+4.3)
Ordinary income	60.7	57.5	74.1	+29%	+22%	
Net income	42.8	41.0	52.8	+29%	+23%	
Exchange rate(US$) (€)	¥98.86 ¥129.99	¥100.00 ¥140.00	¥103.01 ¥138.90			
Investment	10.7	12.5	15.7	+26%	+46%	
Depreciation expense for tangible fixed assets	5.9	6.6	6.0	▲8%	+2%	
R&D spending	7.7	7.9	8.8	+12%	+14%	
The half term dividend per share	80 yen	90 yen	90 yen			

(Unit: Billion yen)

Consolidated Sales Trend (FY07=100: Fixed Ex. rate)



Consolidated Result Summary of The 1st Half of FY14 Part 2

	1st half of FY13	FY13	1st half of FY14			
	Result	Result	Result	year-on-year % change	Growth amount	Growth amount excluding impact of exchange rate
Net asset value	723.0	785.5	846.1	+8%	+60.6	(+36.7)
Current assets	608.9	677.0	725.9	+7%	+48.9	(+28.3)
(of which: Inventories)	(188.7)	(194.2)	(197.0)	(+1%)	+2.7	(▲2.4)
Fixed assets	277.1	289.8	306.3	+6%	+16.4	(+12.8)
Equity ratio	81.4%	81.0%	81.8%		+0.8%	+0.4%
Equity per share	10,677 yen	11,599 yen	12,563 yen	+8%	+964 yen	(+640 yen)
Term end exchange rate(US$)	¥97.75	¥102.92	¥109.45			
(€)	¥131.90	¥141.61	¥138.85			

(Unit: Billion yen)

SMC Market Share Trend (SMC Estimation)

◆Point: The Asian market, which had been stagnant, has started to move.

	'11	'12	'13		'14/Q1
Japan	62	63	64		65
North America	18	19	21	⇨	21
Europe	18	17	19		19
Asia/Oceania	44	44	44		45
Global Total	32	32	32		33

(¥/$:100.17)

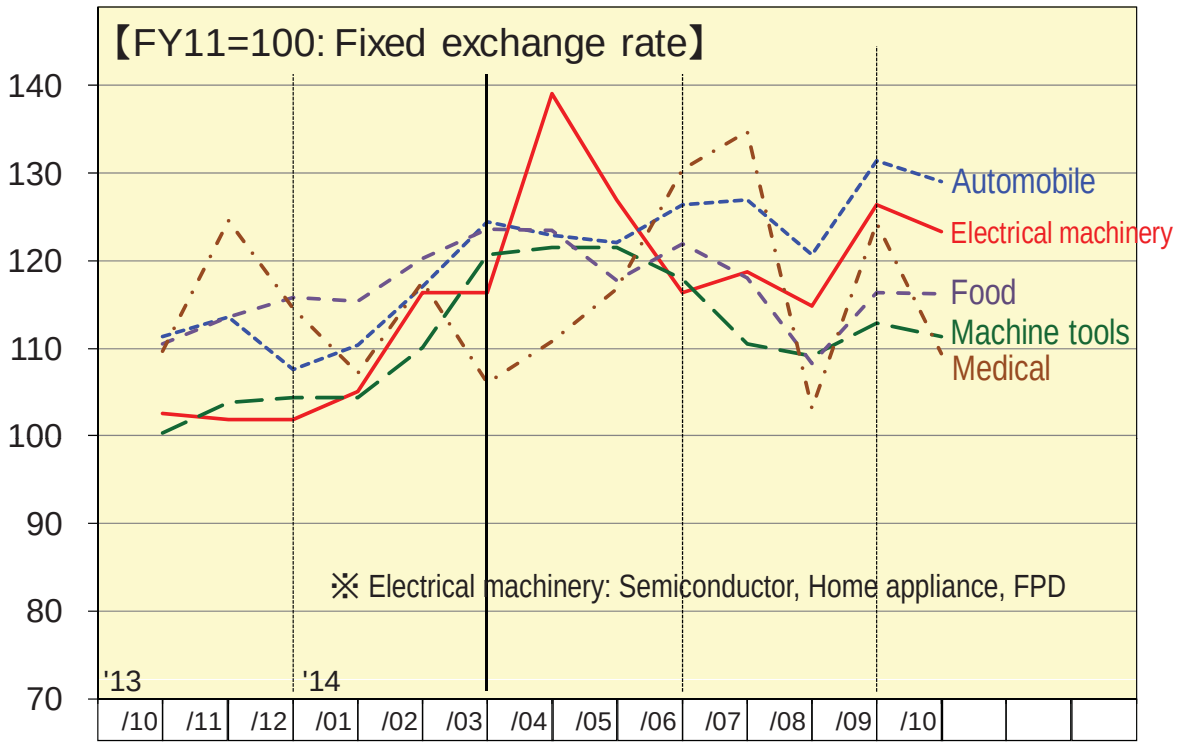
※ Current values in '14/Q1 are our estimation. Source: JFPA, NFPA, VDMA

Current Order Situation (FY11=100)

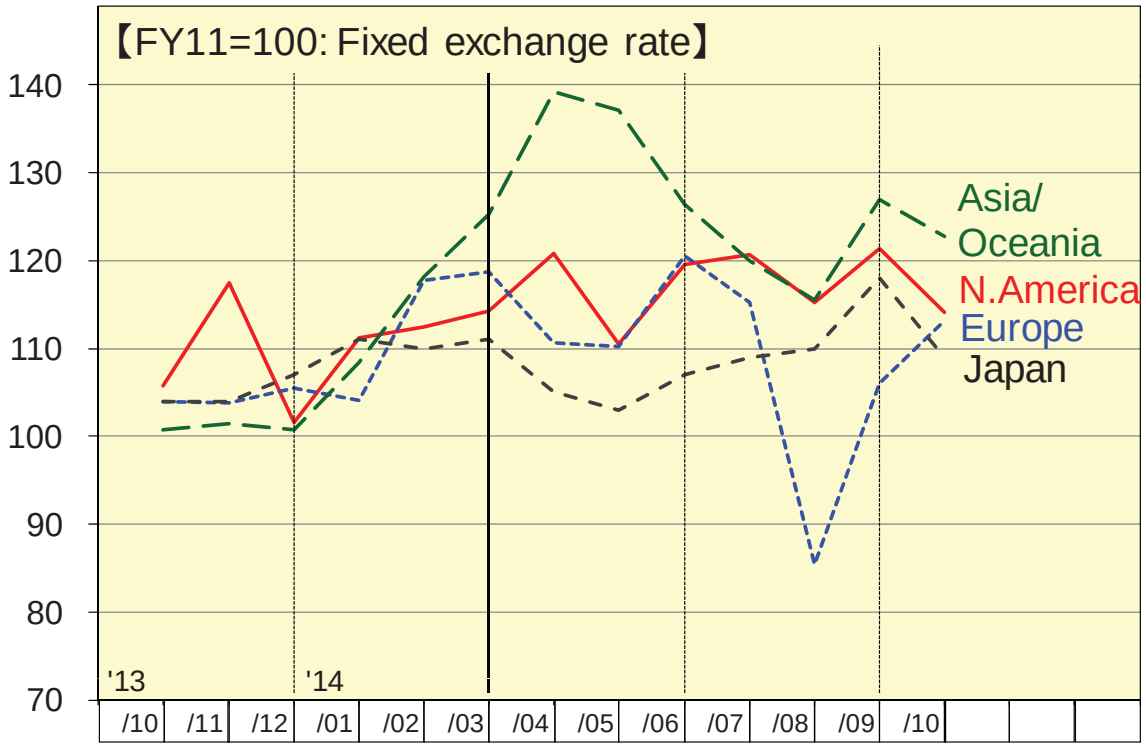
【Fixed exchange rate】

		FY13	FY14	'14/1Q	/2Q	'14/10	'14/10 incoming order situation
Consolidated	Electrical machinery	107	123	128	120	120	Increase in US and KR
	Automobile	112	126	124	126	129	Increase in US, DE and KR
	Machine tools	104	115	120	111	113	Stagnant in KR and TW
	Food	112	118	121	114	117	Leveling off currently
	Medical	111	119	119	121	116	Stagnant in Europe and America
	Other	104	106	109	104	106	
Japan		103	109	105	112	109	Recovering tendency, however, stagnant currently
North America		108	117	117	119	118	Increase in the electrical machinery and automobile industry
Europe		105	109	114	103	115	Increase in the automobile industry
Asia & Oceania		111	127	134	121	119	Stagnant in the electrical machinery industry
Consolidated		109	116	118	115	115	

Consolidated Orders Trend By Industry (FY11=100)



Consolidated Orders Trend By Region (FY11=100)



Pneumatic Demand Environment

☆ We expect the stable growth against the background of the demand for factory automation in the emerging countries!

Annual growth rate for the last 20 years:

SMC consolidated sales / World pneumatic demand(6.7% / 3.5%)

【Points of Attention】

【1】The borderless and liberalized market and the demand shift is moving forward.

【2】Yen's depreciation is accelerated and the global economy becomes unstable.

【3】Slower growth in BRICs and the rise of new emerging nations (Czech, Turkey, Thailand, Indonesia etc.)

【4】Vertical specialization of production and local procurement is accelerated. (Distribution channels are diversified, accompanied by acceleration of distributors shifts.)

Focused Measures for the 2nd Half of FY14

☆ The major competition field has moved to overseas.
Continue promoting rationalization and restructuring!

- Develop products with appropriate quality and price
- Reinforce global production
- Reform production methods and review the VE/VA system and realize its effects
- Introduce new product equipment for the future, and continue investing in the emerging countries
- Reinforce information network for global cooperation
  Production – Sales – Engineering – Supply chain

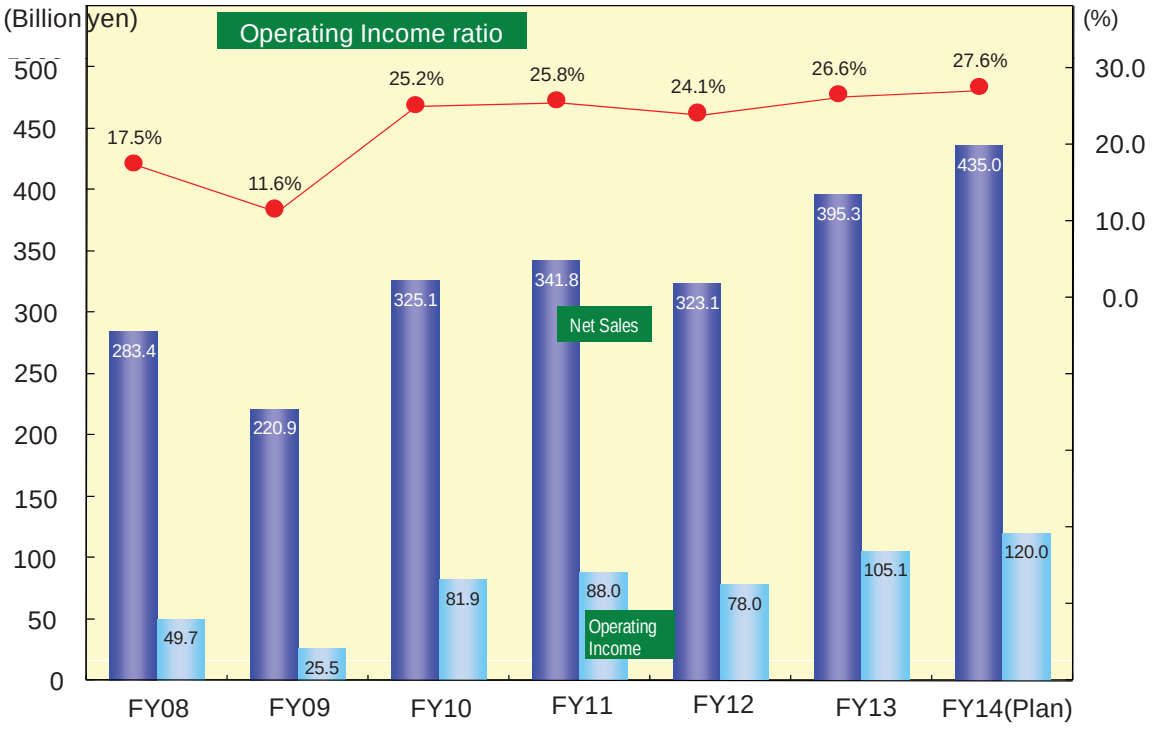
Revised Forecast for Our Performance in FY14

	FY13	FY14		FY14	
	Result	Original Forecast	year-on-year % change	Revised Forecast	year-on-year % change
Net sales (of which: Overseas net sales)	395.3 (267.0)	420.0 (283.5)	+6% +6%	435.0 (295.0)	+10% +10%
Operating income (Operating income ratio)	105.1 (26.6%)	110.0 (26.2%)	+5%	120.0 (27.6%)	+14%
Ordinary income	121.0	115.0	▲5%	134.0	+11%
Net income	86.3	82.0	▲5%	95.0	+10%
Exchange rate(US$) (€)	¥100.17 ¥134.22	¥100.00 ¥140.00		¥105.00 ¥140.00	
Investment	22.5	26.0	+15%	26.0	+15%
Depreciation expense for tangible fixed assets	12.1	13.5	+11%	13.1	+8%
R&D spending	15.5	15.8	+2%	17.8	+15%

(Unit: Billion yen)

Annual dividend per share	170 yen	180 yen		180 yen

Sales and Operating Income Trend (Fiscal Year)



Summary

【1】FY14 annual sales is expected to increase from the previous period. It is because the demand keeps firm tone in the emerging countries, and in the automobiles, semiconductors and mobile phones related industries, combined with fixed yen's depreciation.

【2】We will try to be more thorough with streamlining and cost reduction activities.

【3】We will continue investing in equipment and human resources which are required for our continued growth.

【4】We will focus on securing a stable "return to stockholders".

Notice

This document contains projections concerning future performance estimated by SMC. These statements are based on information available at the time of compiling of this report and may include potential risks and unforeseen factors. Accordingly, please be aware that actual results may change considerably because of multiple economic factors that influence industrial market.

Results Announcement for the Second Quarter Ended September 30,2014

SMC Corporation

Ikuji Usui, Executive Managing Director

November 12,2014

Actual achievement-Highlights

	Sep.2013		Sep.2014			
	Monetary value	Ratio to net sales	Monetary value	Ratio to net sales	Increase/decrease	Ratio to previous term
Net sales	193.8		**222.6**		28.8	14.9
Cost of sales	101.6	52.4%	**113.8**	**51.1%**	12.2	12.0
Gross profit	92.1	47.6%	**108.7**	**48.9%**	16.6	18.0
Selling,general,& administrative expenses	40.1	20.7%	**45.5**	**20.5%**	5.4	13.4
Operating income	51.9	26.8%	**63.1**	**28.4%**	11.2	21.6
Ordinary income	60.7	31.3%	**74.1**	**33.3%**	13.4	22.1
Net income	42.8	22.1%	**52.8**	**23.7%**	9.9	23.3

(Billions of yen)

Exchange rate(yen)

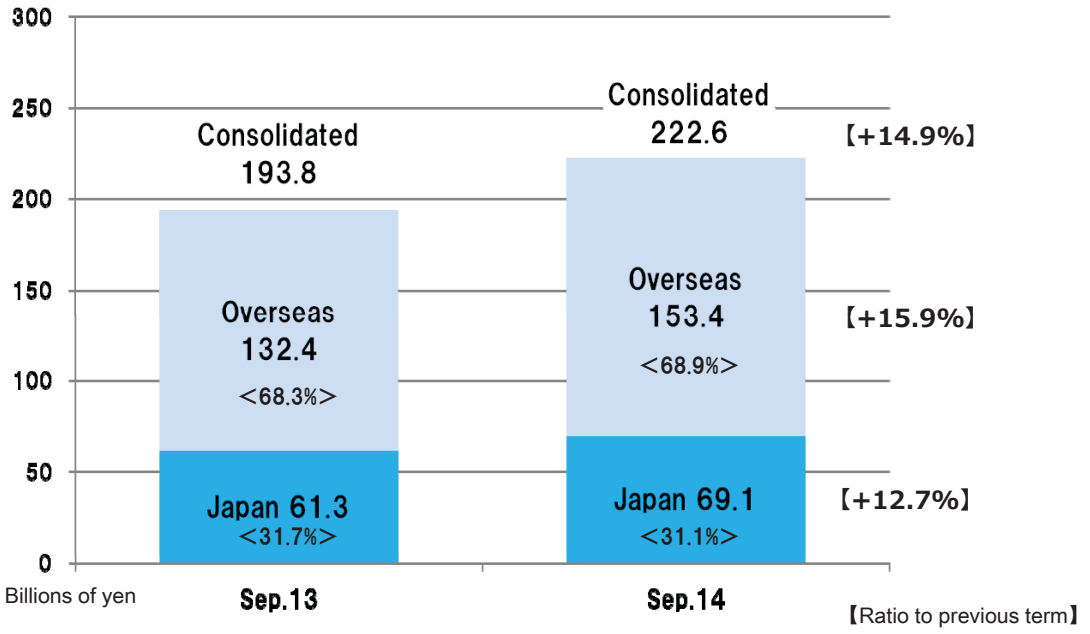
Average	US$	98.86	**103.01**
	EUR	129.99	**138.90**
End of the 2nd Quarter	US$	97.75	**109.45**
	EUR	131.90	**138.85**

Profit

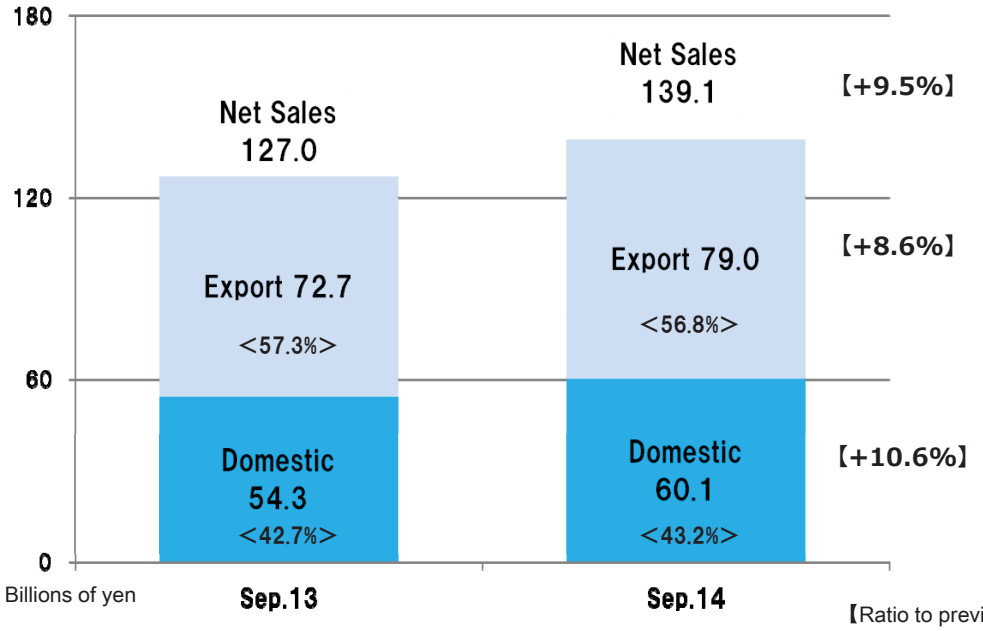
	Sep.2013 Monetary value	Sep.2014 Monetary value	Increase/decrease	Ratio to previous term
Operating income	51.9	**63.1**	11.2	21.6
Non-Operating income	9.0	**11.2**	2.2	24.4
Exchange gain	5.3	6.2	0.9	17.6
Non-Operating expenses	0.3	**0.3**	-0	-0.2
(Net financial gain)	2.6	3.8	1.2	44.8
Ordinary income	60.7	**74.1**	13.4	22.1
Extraordinary income	0.2	**0.8**	0.6	322.3
Extraordinary loss	0.0	**0.0**	-0	-50.0
Net income before tax	60.8	**74.9**	14.1	23.3
Net income	42.8	**52.8**	9.9	23.3

(Billions of yen)

Net sales(Consolidated)



Net sales(Non-Consolidated)

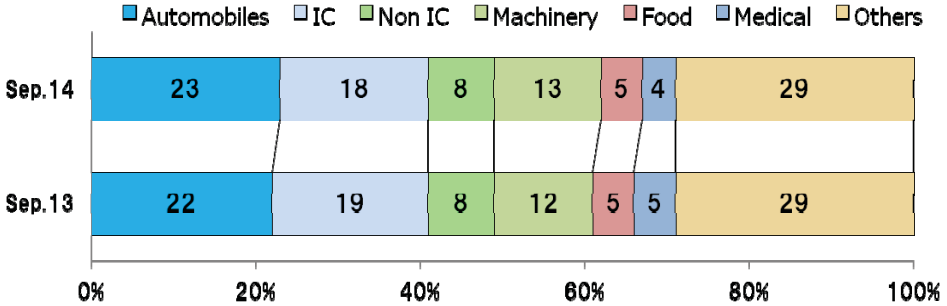


Domestic sales(Non-consolidated)

Ratio to previous term

Automobiles	IC	Non IC	Machinery	Food	Medical	Others
+12%	+9%	+15%	+14%	+4%	-1%	+11%

Component ratio per industry



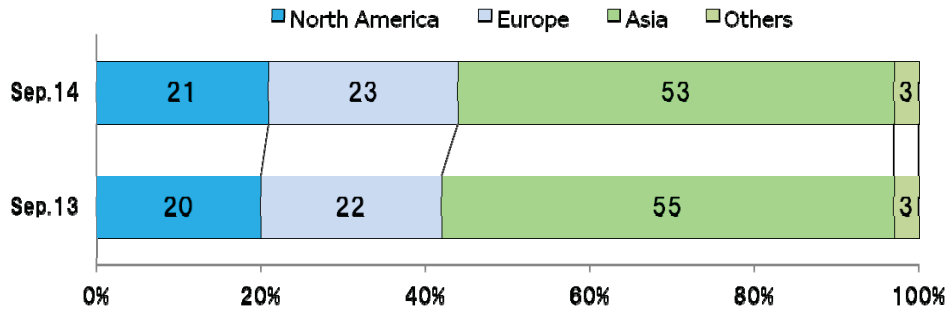
★Results in previous years of sales by prime industrial sector are subject to change retroactively as these sectors may be reviewed and the results corrected at any time.

Export sales(Non-consolidated)

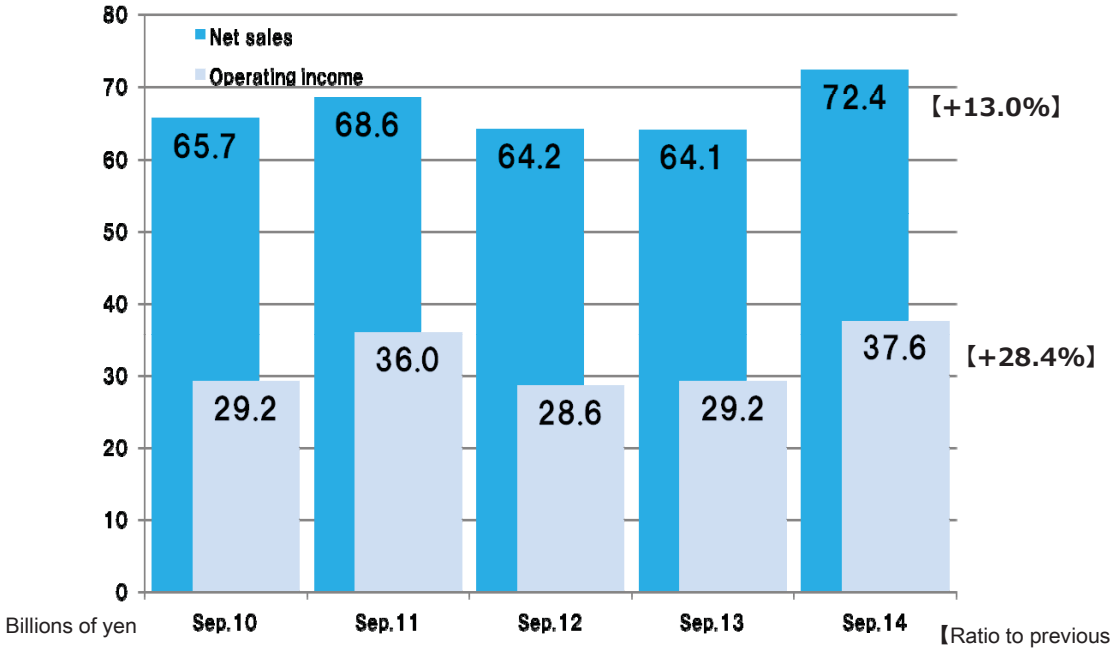
Ratio to previous term

North America	Europe	Asia	Others
+13%	+15%	+5%	-8%

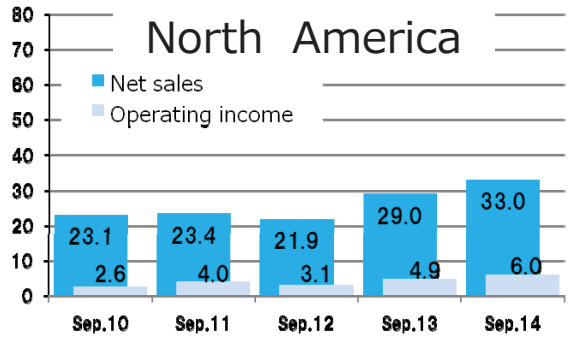
Component ratio per zone

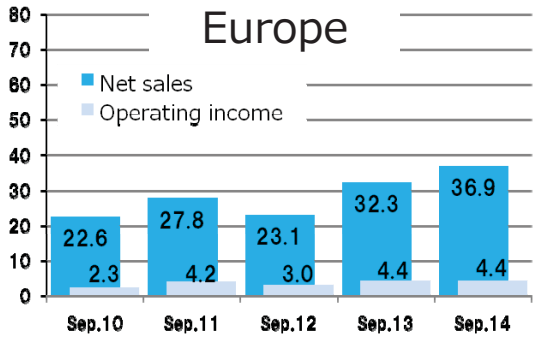


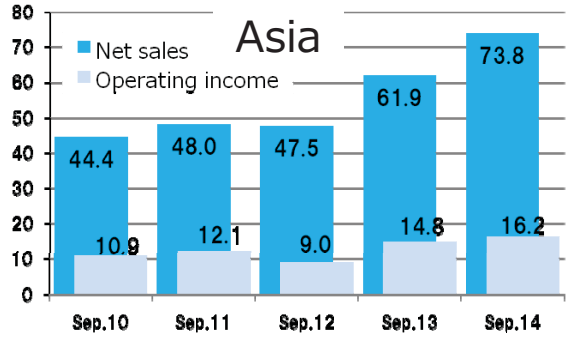
Change in net sales & Operating income - Japan



Change in net sales & Operating income - Overseas





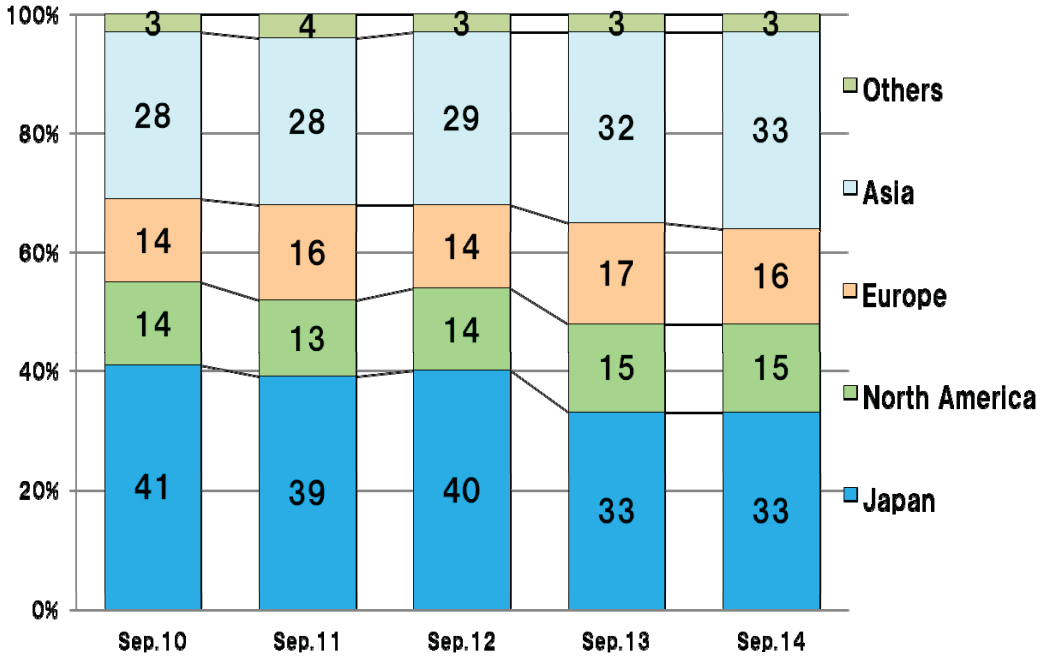


Billions of yen

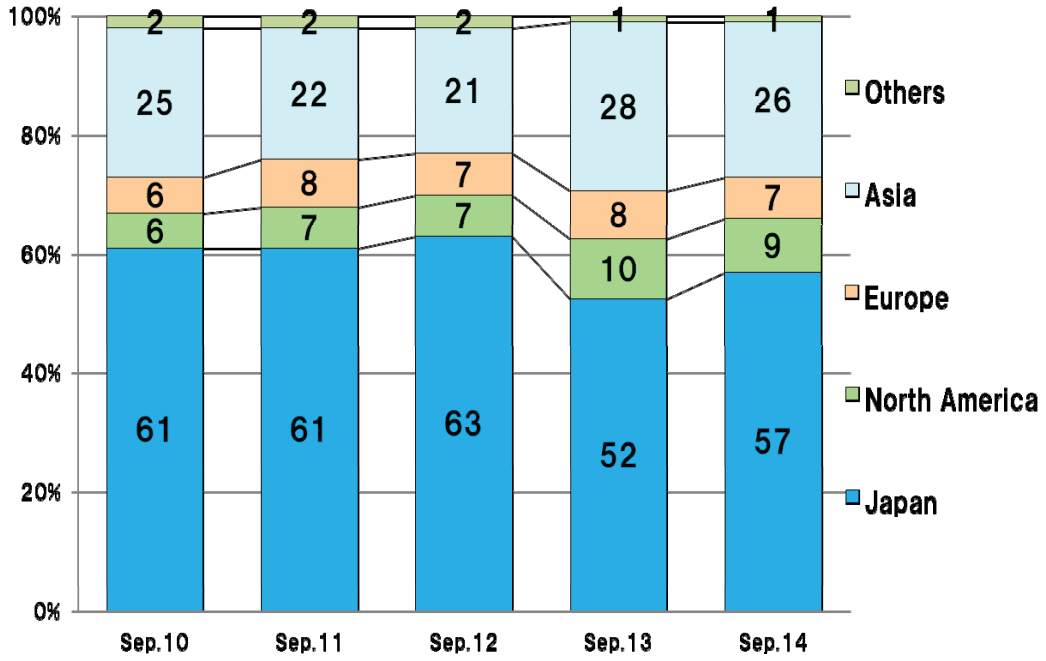
Ratio to previous term

	North America	Europe	Asia
Net sales	+13.7%	+13.9%	+19.2%
Operating income	+21.4%	+0.4%	+9.9%

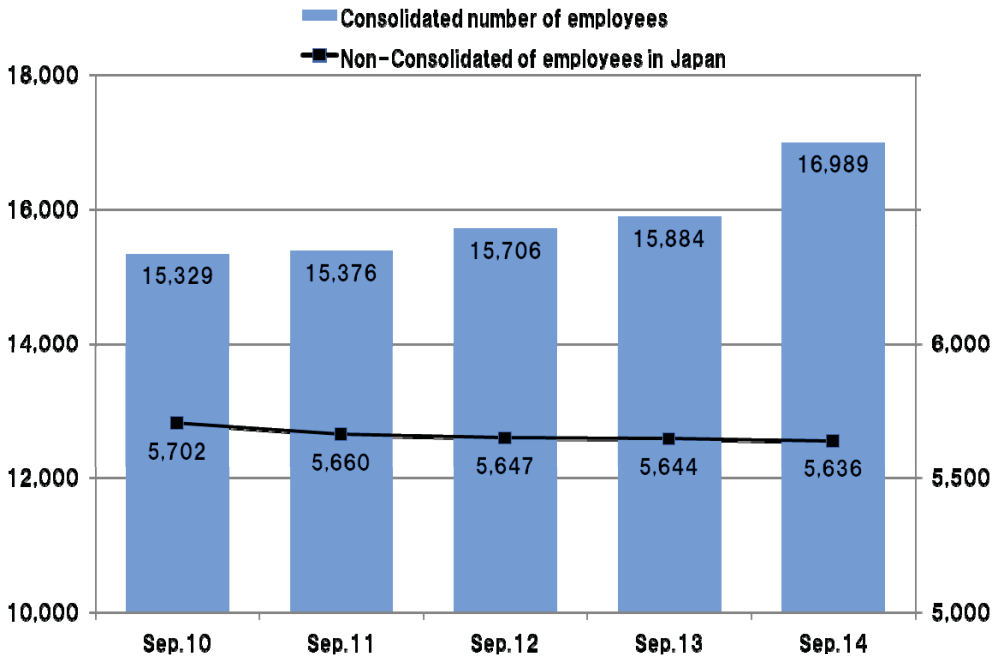
Consolidated net sales -Component ratio per zone



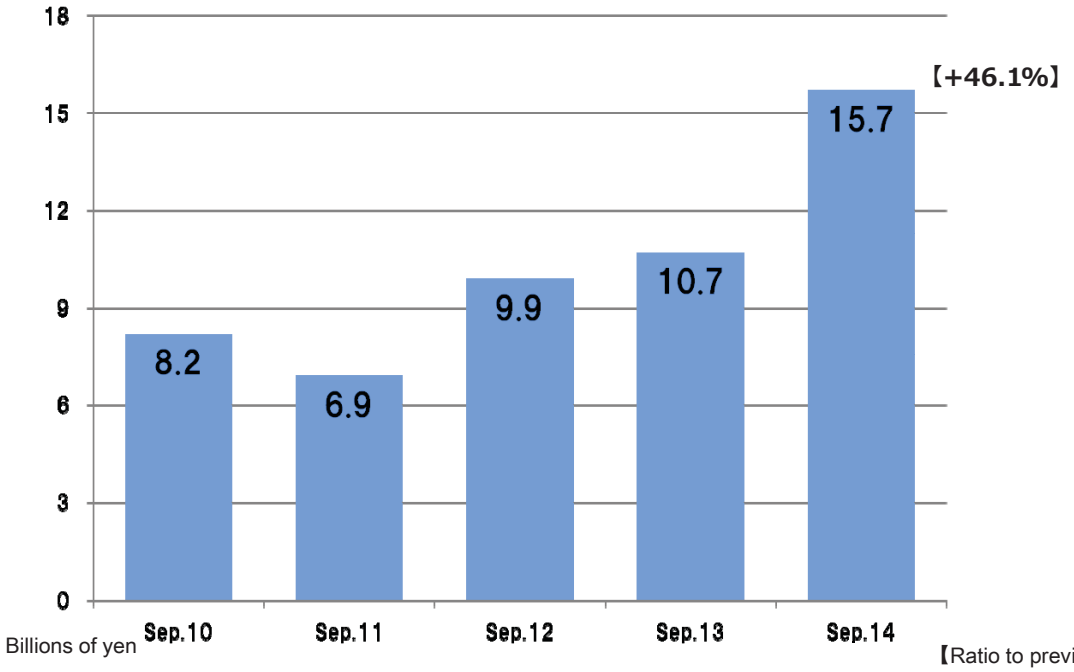
Operating Income
-Component ratio per zone



Number of employees



Capital expenditures



SMC (Thailand) Ltd.

(To be completed in February,2015)



Factory

Warehouse



Expansion of SMC Industrial Automation CZ s.r.o.
(To be completed in August,2015)





SMC Pneumaticos do Brasil
(Completed in October, 2014)

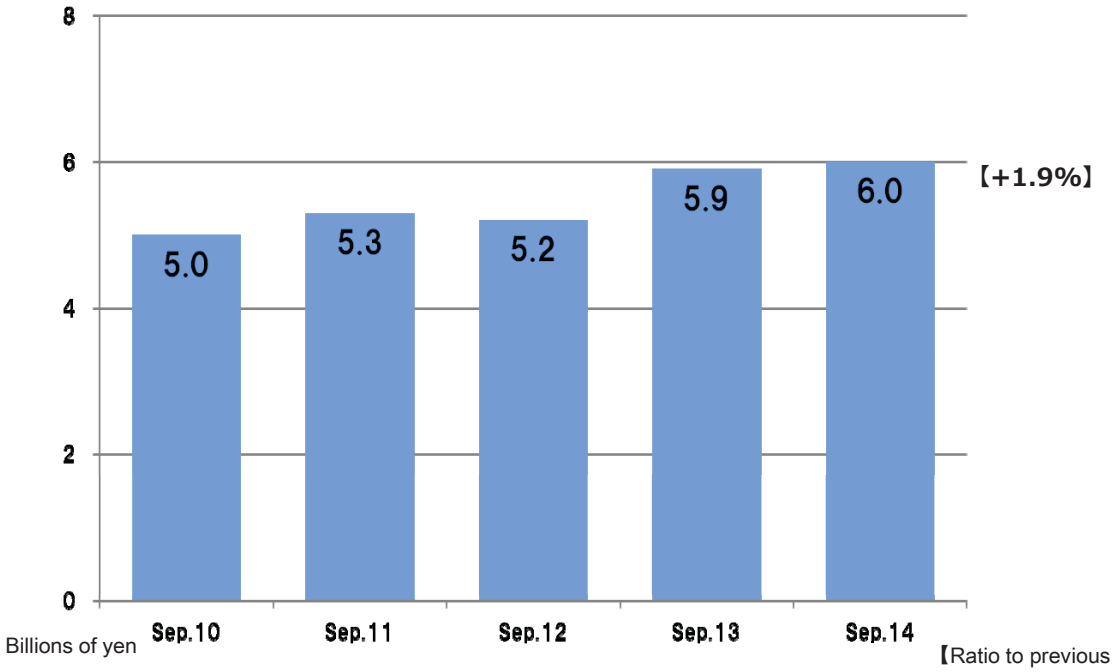


Factory

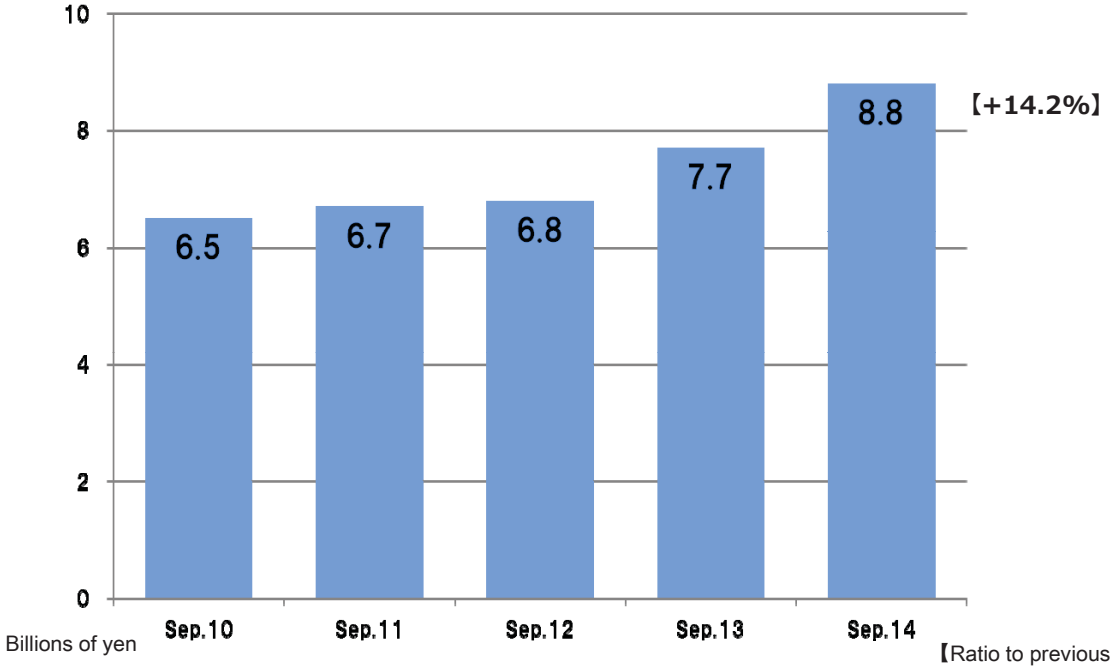
Warehouse



Depreciation



Research & development expense



Consolidated financial statements forecast for the year ending March,2015

(Billions of yen)

	Mar.2014 Monetary value	Mar.2015 (Forecast) Monetary value	Ratio to previous term
Net sales	395.3	435.0	+10%
Domestic	128.2	140.0	+9%
Overseas	267.0	295.0	+10%
Operating income	105.1	120.0	+14%
Ordinary income	121.0	134.0	+11%
Net income	86.3	95.0	+10%
Average Exchange rate(yen)			
US$	100.17	105.00	+5%
EURO	134.22	140.00	+4%

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Consolidated Financial Highlights

SMC Corporation and subsidiaries

Six months ended September 30, 2014 and 2013

Millions of yen

	Sept. 2014		Sept. 2013		*Mar. 2015 (Forecast)*	
		Compared to Sept. 2013		Compared to Sept. 2012		*Compared to Mar. 2014*
Net sales	**¥222,634**	**+14.9%**	¥193,818	+19.5%	*¥435,000*	*+10%*
Japan	**69,149**	**+12.7%**	61,348	-0.5%	*140,000*	*+9%*
Overseas	**153,485**	**+15.9%**	132,469	+31.8%	*295,000*	*+10%*
North America	**31,911**	**+14.1%**	27,978	+32.8%		
Europe	**38,769**	**+13.7%**	34,090	+40.4%		
Asia	**75,893**	**+19.2%**	63,674	+29.1%		
Others	**6,910**	**+2.7%**	6,726	+15.7%		
Gross profit	**108,777**	**+18.0%**	92,163	+24.8%		
[Ratio]	[48.9%]		[47.6%]			
Operating income	**63,185**	**+21.6%**	51,976	+21.1%	*120,000*	*+14%*
[Ratio]	[28.4%]		[26.8%]		*[27.6%]*	
Japan	**37,617**	**+28.4%**	29,288	+2.4%		
SMC Corporation	34,534	+25.9%	27,431	+1.4%		
Overseas	**27,142**	**+8.6%**	24,988	+56.5%		
North America	**6,050**	**+21.4%**	4,985	+57.8%		
Europe	**4,434**	**+0.4%**	4,417	+44.5%		
Asia	**16,279**	**+9.9%**	14,814	+63.4%		
Others	**377**	**-51.0%**	771	+12.6%		
Intersegment Eliminations	-1,574		-2,300			
Net financial gain	**3,886**		2,684			
Ordinary income	**74,141**	**+22.1%**	60,719	+43.1%	*134,000*	*+11%*
[Ratio]	[33.3%]		[31.3%]		*[30.8%]*	
Net income	**52,837**	**+23.3%**	42,867	+45.1%	*95,000*	*+10%*
[Ratio]	[23.7%]		[22.1%]		*[21.8%]*	
Net income per share (Yen)	**784.82**	**+24.4%**	631.02	+46.4%	*1,414.02*	
ROE	**6.5%**		6.1%			
Total assets	**1,032,293**	**+16.5%**	886,050	+19.6%		
Inventories	**197,041**	**+4.4%**	188,793	+11.9%		
Net assets	**846,152**	**+17.0%**	723,066	+22.1%		
Equity ratio	**81.8%**		81.4%			
Net assets per share (Yen)	**12,563.03**	**+17.7%**	10,677.93	+23.9%		
Net cash provided by operating activities	**47,232**		40,078			
[Sales to cash flow ratio]	**21.2%**		20.7%			
Net cash used in investing activities	**-32,919**		-30,946			
Net cash used in financing activities	**-16,704**		-16,400			
Cash and cash equivalents, end of half year	**213,140**	**+23.8%**	172,216	+4.1%		
Capital expenditures	**15,726**	**+46%**	10,767	+8%	*26,000*	*+15%*
Depreciation	**6,088**	**+2%**	5,973	+14%	*13,100*	*+8%*
R&D expense	**8,820**	**+14%**	7,723	+13%	*17,800*	*+15%*
Number of shares outstanding (weighted average)	**67,323,631**	**-0.9%**	67,933,262	-0.9%		
Number of shares outstanding (at end)	**67,184,288**	**-0.5%**	67,539,706	-1.4%		
Number of employees	**16,989**	**+7%**	15,884	+1%		
increase due to change of consolidated subsidiaries	[-]		[-]			
Number of consolidated subsidiaries	**33**		33		*33*	
incl. in Japan	3		3		*3*	
incl. in Overseas	30		30		*30*	
Number of subsidiaries that applied equity method	**0**		0		*0*	
Number of subsidiaries not consolidated	**36**		35		*37*	

Note: These highlights contain projections concerning the future plans, strategies and estimated performance of SMC. These figures do not include historical data but rather are based on management's projections given the information currently available. Accordingly, these projections involve unknown risks and uncertainties that may cause actual results to differ materially from the projections.

Treasury stocks are not included in number of shares outstanding (at end) and number of shares outstanding (weighted average.)

Non-Consolidated Financial Highlights

SMC Corporation

Six months ended September 30, 2014and 2013

Millions of yen

	Sept. 2014			Sept.2013	
			Compared to Sept. 2013		Compared to Sept.2012
Net sales	**¥139,129**		**+9.5%**	¥127,094	+14.3%
Domestic	**60,104**		**+10.6%**	54,320	-0.7%
Export	**79,024**		**+8.6%**	72,773	+28.8%
Gross profit	**50,479**		**+19.0%**	42,415	+11.1%
[Ratio]	[36.3%]			[33.4%]	
Operating income	**34,534**		**+25.9%**	27,431	+1.4%
[Ratio]	[24.8%]			[21.6%]	
Net financial gain	**1,450**			653	
Ordinary income	**42,437**		**+30.1%**	32,629	+23.7%
[Ratio]	[30.5%]			[25.7%]	
Net income	**29,530**		**+35.4%**	21,816	+28.8%
[Ratio]	[21.2%]			[17.2%]	
Net income per share (Yen)	**438.63**		**+36.6%**	321.14	+30.0%
Total assets	**635,284**		**+10.3%**	575,903	+4.7%
Inventories	**88,533**		**-6.5%**	94,734	+1.3%
Net assets	**475,001**		**+7.4%**	442,243	+3.8%
Equity ratio	**74.8%**			76.8%	
Net assets per share (Yen)	**7,070.13**		**+8.0%**	6,547.91	+5.3%
Interim dividends per share (Yen)	**90**			80	
Capital expenditures	**2,614**		**-48%**	4,998	+6%
Depreciation	**2,417**		**-8%**	2,614	-5%
R&D expense	**8,182**		**+15%**	7,125	+13%
Number of employees					
Employees	**5,636**		**-0%**	5,644	-0%
Temporary (average)	**2,231**		**-0%**	2,242	-4%
Sales by prime industrial sector and percentage of domestic sales					
Automobile related	**13,561**	**23%**	**+12%**	12,110	
IC related	**11,101**	**18%**	**+9%**	10,170	
Electric except IC related	**4,782**	**8%**	**+15%**	4,175	
Machinery related	**7,514**	**13%**	**+14%**	6,563	
Food related	**3,124**	**5%**	**+4%**	3,014	
Medical related	**2,591**	**4%**	**-1%**	2,621	
Others	**17,431**	**29%**	**+11%**	15,667	
Export sales by geographic location and percentage of export sales					
North America	**16,677**	**21%**	**+13%**	14,720	+39%
Europe	**18,285**	**23%**	**+15%**	15,860	+37%
Asia	**42,232**	**53%**	**+5%**	40,204	+24%
Others	**1,828**	**3%**	**-8%**	1,987	**+3%**
Ratio of foreign currency based sales in export sales	**82%**			49%	
Average exchange rate (Yen into foreign currency)					
USD1	**103.01**		**+4.2%**	98.86	+24.5%
EUR1	**138.90**		**+6.9%**	129.99	+29.3%
Current exchange rate (Yen into foreign currency)					
USD1	**109.45**		**+12.0%**	97.75	+26.0%
EUR1	**138.85**		**+5.3%**	131.90	+31.6%

Note: Results in previous years of sales by prime industrial sector are subject to change retroactively as these sectors may be reviewed and the results corrected at any time.