Presentation of Financial Results for the Fiscal Year Ended March 31,2016

(Supplemental Material for Consolidated Financial Highlights)

May 17,2016

SMC Corporation

FY2015 Results Briefing Conference

For the 12 months ended on March 31th, 2016

May 17, 2016

SMC Corporation

Katsunori Maruyama, President

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FY15 Consolidated Financial Summary

- In the 1st quarter, orders had firm tone in all regions. In the 2nd to 3rd quarter, orders slowed down in Asia. However, in the 4th quarter, orders recovered in all regions.
- Net sales and operating income increased mainly because of the weak yen effect and streamlining. However, ordinary income decreased due to FOREX loss.
- Net sales increase: 4%, Operating income increase: 5%, Ordinary income decrease: 19%
  (Excluding effects of FOREX rate fluctuation) Net sales increase: 3%, Operating income increase: 2%, Ordinary income increase: 1%
- Annual dividend per share is 200yen. (Term end dividend per share is 100 yen.)

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FY15 Consolidated Financial Summary Part 1

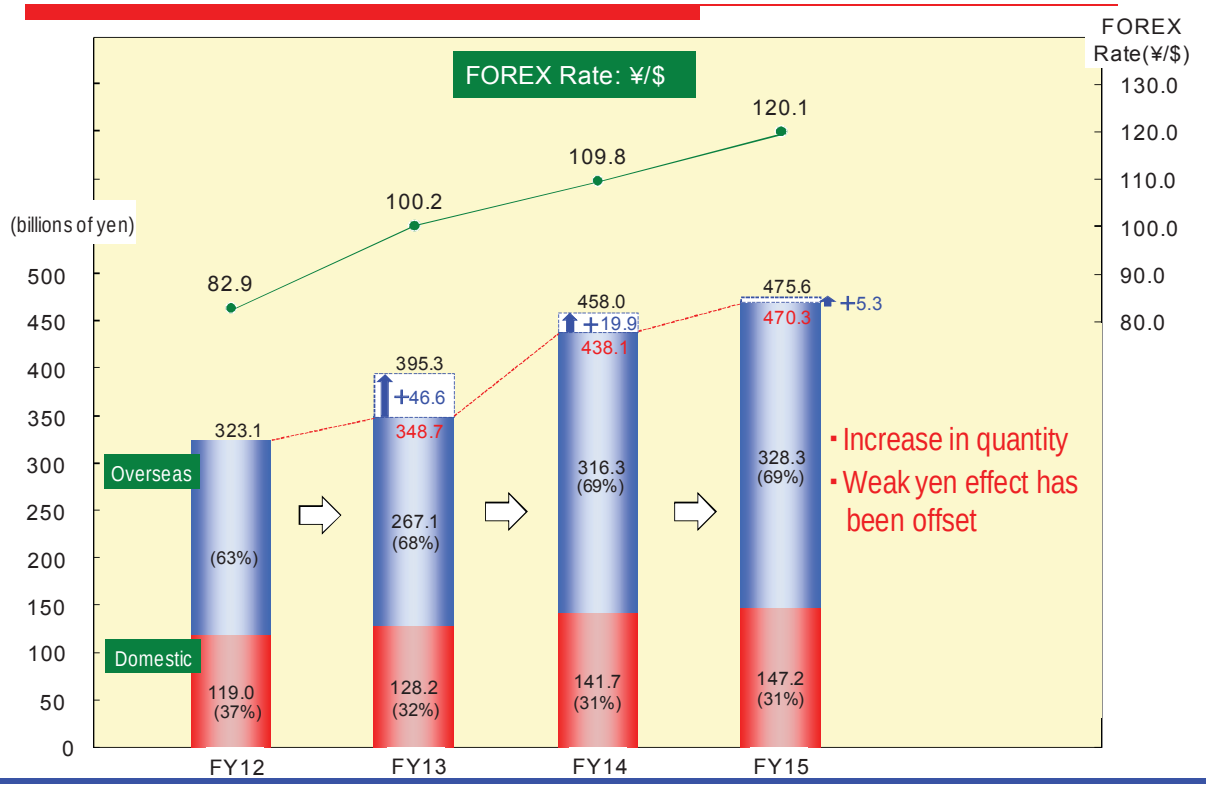
	FY2014	FY2015	FY2015			
	Results	Plan	Results	Growth rate against Plan	year-on-year % change	FOREX effect
Net sales	458.0	467.0	475.6	+2%	+4%	(+5.3)
(of which: Overseas net sales)	(316.3)	(323.0)	(328.3)	+2%	+4%	
Operating income	127.6	130.0	134.2	+3%	+5%	(+4.1)
(Operating margin)	(27.9%)	(27.8%)	(28.2%)			
Ordinary income	158.8	137.0	129.1	▲6%	▲19%	(▲32.1)
Net income*1	109.5	98.0	92.1	▲6%	▲16%	
FOREX Rate(US$)	¥109.76	¥120.00	¥120.14			
(€)	¥138.69	¥134.00	¥132.59			
Capital expenditures	28.6	40.0	24.8	▲38%	▲14%	
Depreciation expenses for tangible fixed assets	13.1	15.5	14.3	▲7%	+9%	
R&D expenses	17.6	18.9	18.5	▲2%	+5%	

*1 Net Income attributable to SMC Corporation

(Unit: Billions of yen)

The annual dividend per share	190 yen	200 yen	200 yen

Consolidated Sales Trend (Actual Results)



FY15 Consolidated Financial Summary Part 2

	FY2014	FY2015			
	Results	Results	year-on-year % change	Change	Change excluding effecs of FOREX rates
Net asset value	921.4	941.8	＋2%	＋20.4	(＋69.4)
Current assets	802.2	747.1	▲7%	▲55.1	(▲11.4)
(of which: Inventories)	(194.5)	(182.5)	(▲6%)	(▲12.0)	(▲0.3)
Fixed assets	326.7	373.0	＋14%	＋46.3	(＋58.6)
Equity ratio	81.4%	83.9%		＋2.5%	＋2.6%
Equity per share	13,682 yen	13,981 yen	＋2%	＋299 yen	(＋1,029 yen)
Term end FOREX rate(US$)	¥120.27	¥112.69			
(€)	¥130.41	¥127.57			

(Unit: Billions of yen)

SMC Market Share Trend (SMC Estimation)

◆Point: The demand has shifted and its structure has changed, accompanied by the environmental change in investment. Portable terminals demand has decreased!

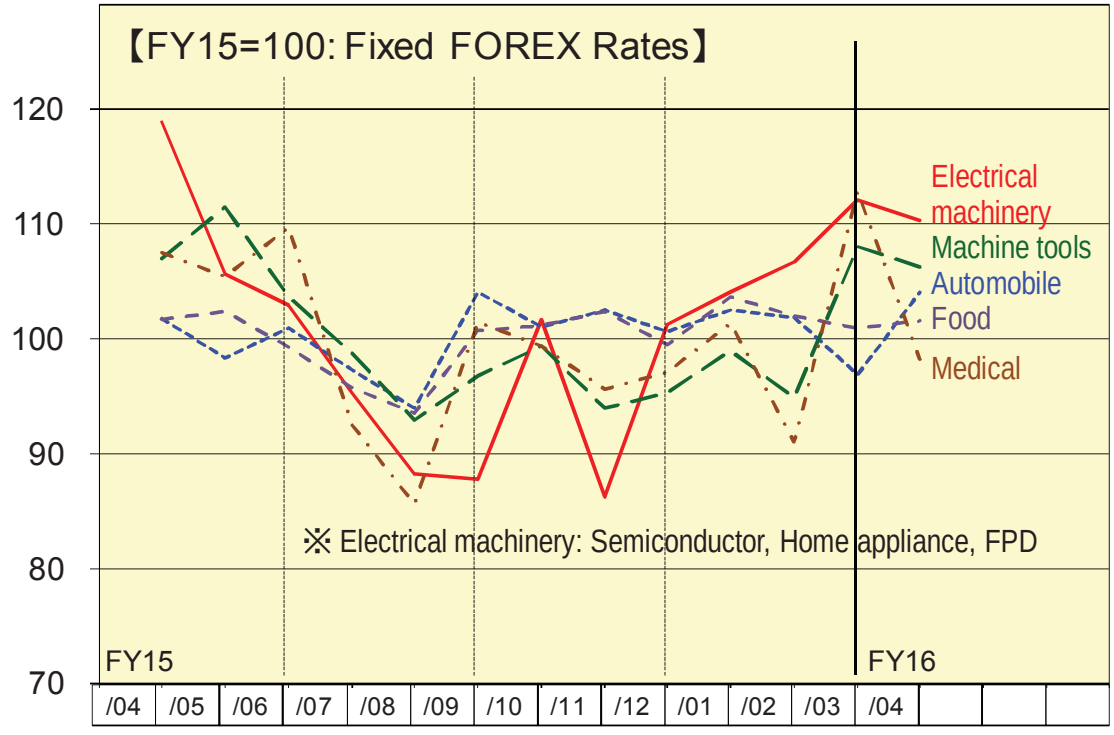
	'12	'13	'14	'15
FOREX Rate(¥/$)	(82.92)	(100.17)	(109.76)	(120.14)
Japan	63	64	65	65
North America	19	21	22	23
Europe	17	19	20	20
Asia/Oceania	44	44	46	46
Global Total	32	32	33	34
☆ Excluding effects of FOREX Rate				
Global Total(¥/$:120.14)	30	32	33	34

Current Order Situation (FY15=100)

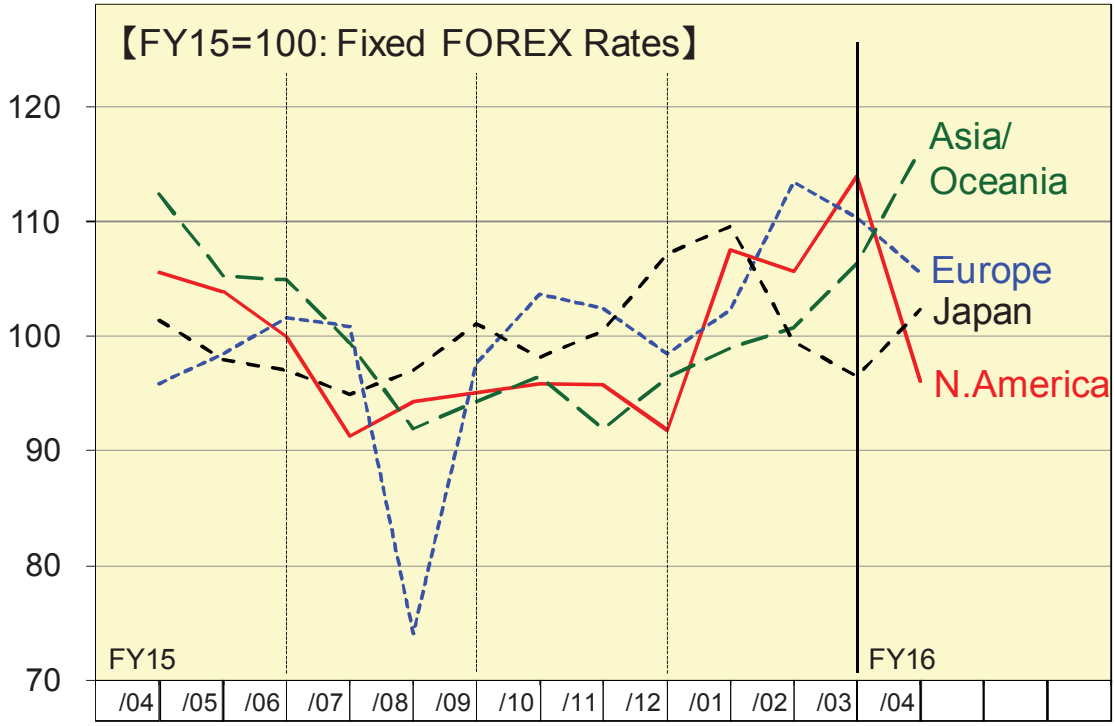
【Fixed FOREX Rates】

		FY15	'15/3Q	'15/4Q	'16/04	Current situation
Consolidated	Electrical machinery	100	93	108	111	Firm tone in China and Korea
	Automobile	100	101	100	105	Increase in China
	Machine tools	100	96	101	110	Firm tone in China and Korea
	Food	100	100	102	103	Firm tone in Japan and China
	Medical	100	97	102	96	Reactionary fall from big orders in '16/03 in Japan and the US
	Other	100	100	108	102	
Japan		100	102	102	102	Bottom out in the semiconductor and automobile industry
North America		100	94	109	96	Decrease in the semiconductor industry
Europe		100	101	109	106	Firm tone in the automobile industry
Asia & Oceania		100	95	102	116	Increase in the semiconductor and portable terminals
Consolidated		100	98	104	107	

Consolidated Orders Trend By Industry (FY15=100)



Consolidated Orders Trend By Region (FY15=100)



Pneumatic Demand Environment

☆ Against the background of rise of personnel expenses and the request for quality improvement, the demand for factory automation increases. There is large room for increase in the pneumatic demand!

【Attentions】

【1】The demand structure changes and the competition intensifies as the borderless market is moving forward.

【2】FOREX rates fluctuates, and the financial market becomes unstable.

【3】Slower growth in the emerging markets, mainly in China

【4】New technical wind, IoT, SmartFactory
⇒ Gain more trust, stability, saving-labor and saving- space

Focused Measures for FY16

☆ FOREX risk increases, therefore, we will keep the mobility corresponding to the change. We will increase investment for the future growth, and promote rationalization and restructuring!

【1】Increase sales, reinforce sales force's competitiveness

【2】Develop and propose products with appropriate quality and price to the market

【3】Reinforce global production and supply network

【4】Reinforce the information network for global cooperation

Premises for FY16 Financial Forecasts

【1】We assume that the domestic demand will be stagnant, that in Europe and America will be firm, and that in Asia will be steady. As a whole, quantity-based sales will level off from the previous period. In the portable terminals market, the competitive environment is diversified as the Chinese manufacturers have competed in it. We will observe it.

【2】We assume FOREX rate to be 108(JPY/ USD), 123(JPY/EUR), for the full year, supposing that the current yen's appreciation tendency will go on.

【3】Therefore, we expect that inflation of our performance due to the weak yen effect in the previous period will be offset in this period.

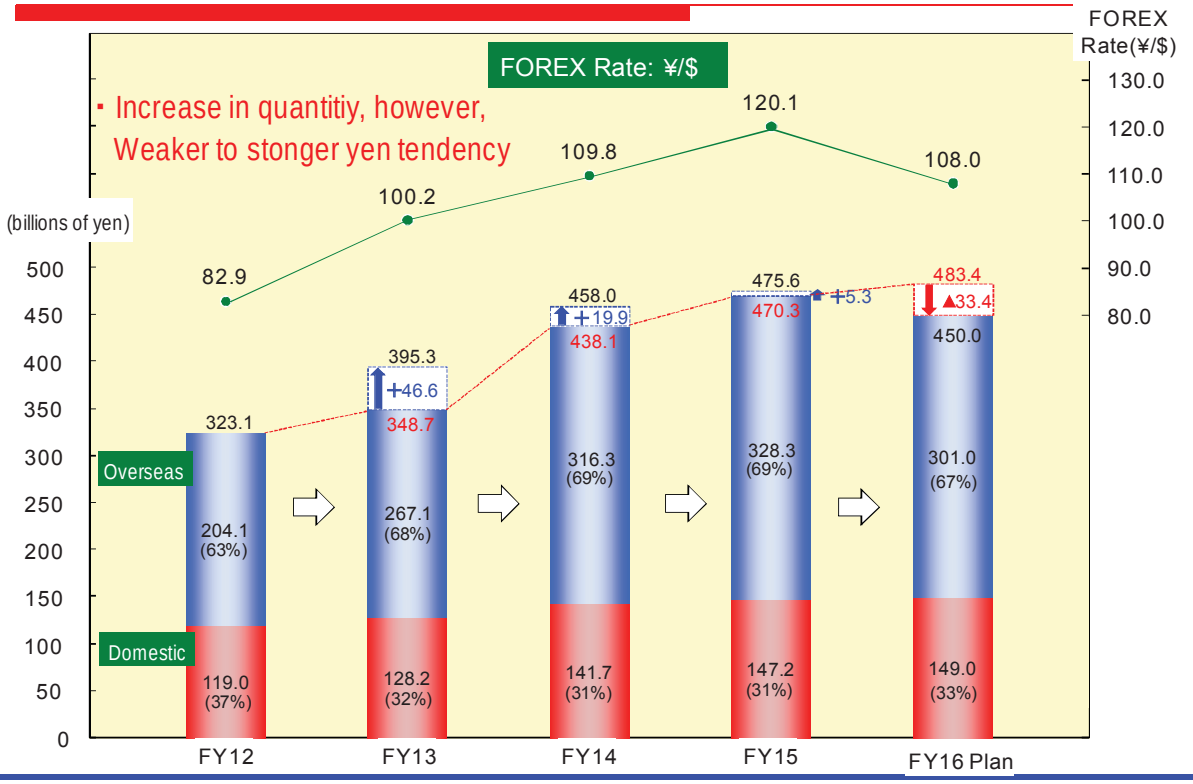
FY16 Consolidated Financial Forecasts

	FY2014	FY2015		FY2016		
	Results	Results	year-on-year % change	Forecasts	year-on-year % change	FOREX effect
Net sales (of which: Overseas net sales)	458.0 (316.3)	475.6 (328.3)	+4% +4%	450.0 (301.0)	▲5% ▲8%	(▲33.4)
Operating income (Operating margin)	127.6 (27.9%)	134.2 (28.2%)	+5%	107.0 (23.8%)	▲20%	(▲20.9)
Ordinary income	158.8	129.1	▲19%	114.0	▲12%	(▲7.1)
Net income*1	109.5	92.1	▲16%	82.0	▲11%	
FOREX Rate(US$) (€)	¥109.76 ¥138.69	¥120.14 ¥132.59		¥108.00 ¥123.00		
Capital expenditures	28.6	24.7	▲14%	47.6	+92%	
Depreciation expenses for tangible fixed assets	13.1	14.3	+9%	14.8	+3%	
R&D expenses	17.6	18.4	+5%	18.9	+2%	
Annual dividend per share	190 yen	200 yen		200 yen		

*1 Net Income attributable to SMC Corporation

(Unit: Billions of yen)

Consolidated Sales Trend (Plan)



Summary

【1】There is large room for increase in demand for pneumatic products as a key device for the manufacturing industry. We expect the stable growth from now on.

【2】FOREX movement is unstable and the outlook is unforeseeable. We will make preparations for the future in the severe situation indeed.

- Exercise the mobility among production, sales and engineering, Be thorough with streamlining and cost reduction activities
- Invest in the equipment, research and human resources which are required for our continued growth

【3】We will focus on securing a stable “shareholder return”. It is the first requirement for social contribution and meeting expectation of investors that we improve the enterprise value by expanding our performance.

◆ We will pursue strengthening our management foundations and improving business efficiency from now on.

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 Fiscal Year Ended March 31,2016

SMC Corporation

Ikuji Usui, Executive Managing Director

May 17,2016

Actual achievement-Highlights

	Mar.2015		Mar.2016			
	Monetary value	Ratio to net sales	Monetary value	Ratio to net sales	Increase/decrease	Ratio to previous term
Net sales	458.0		**475.6**		17.5	3.8%
Cost of sales	234.5	51.2%	**238.2**	**50.1%**	3.6	1.6%
Gross profit	223.5	48.8%	**237.3**	**49.9%**	13.8	6.2%
Selling,general,& administrative expenses	95.8	20.9%	**103.1**	**21.7%**	7.3	7.7%
Operating income	127.6	27.9%	**134.2**	**28.2%**	6.5	5.1%
Ordinary income	158.8	34.7%	**129.1**	**27.2%**	-29.6	-18.7%
Profit attributable to owners of parent	109.5	23.9%	**92.1**	**19.4%**	-17.4	-15.9%

Exchange rate(yen)

(Billions of yen)

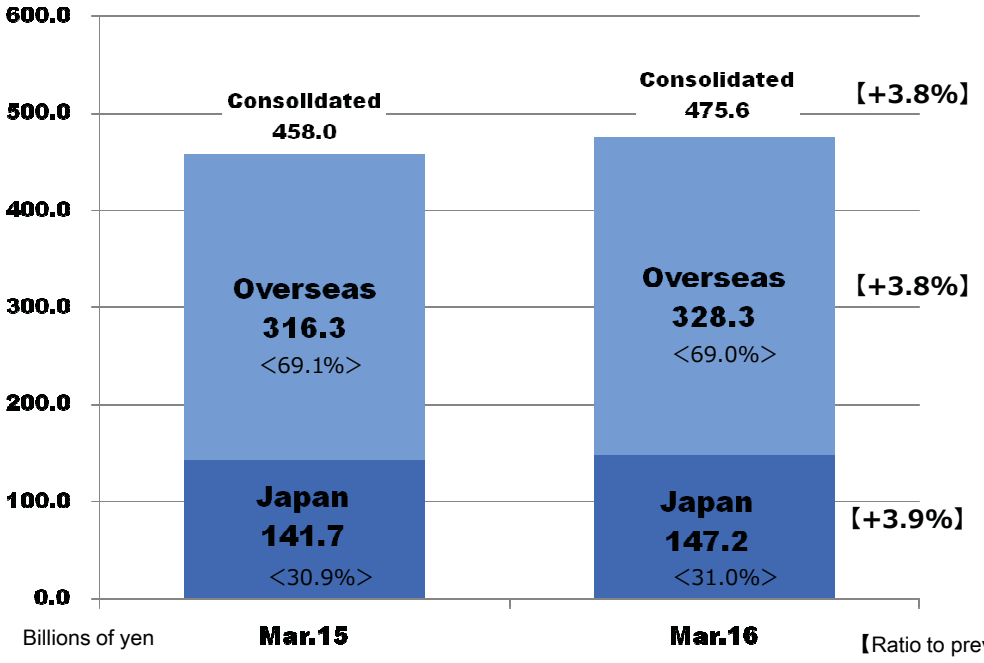
Average	US$	109.76	**120.14**
	EUR	138.69	**132.59**
End of the fisical year	US$	120.27	**112.69**
	EUR	130.41	**127.57**

Profit

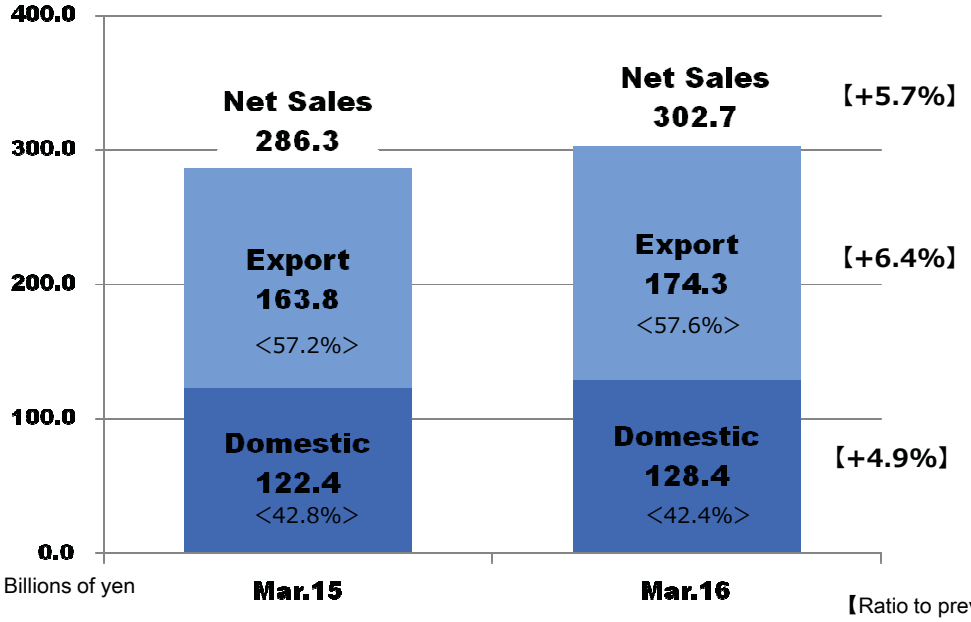
	Mar.2015		Mar.2016			
	Monetary value	Ratio to net sales	Monetary value	Ratio to net sales	Increase/decrease	Ratio to previous term
Operating income	127.6	27.9%	**134.2**	**28.2%**	6.5	5.1%
Non-Operating income	31.7	6.9%	**9.8**	**2.1%**	-21.9	-69.1%
Exchange gain	21.8		-		-21.8	-
Non-Operating expenses	0.6	0.1%	**14.8**	**3.1%**	14.2	2191.1%
Exchange loss	-		**14.2**		14.2	-
Ordinary income	158.8	34.7%	**129.1**	**27.2%**	-29.6	-18.7%
Extraordinary income	0.9	0.2%	**0.4**	**0.1%**	-0.5	-57.2%
Extraordinary loss	1.0	0.2%	**0.2**	**0.1%**	-0.7	-75.5%
Net income before tax	158.7	34.7%	**129.3**	**27.2%**	-29.3	-18.5%
Profit attributable to owners of parent	109.5	23.9%	**92.1**	**19.4%**	-17.4	-15.9%

(Billions of yen)

Net sales(Consolidated)



Net sales(Non-Consolidated)

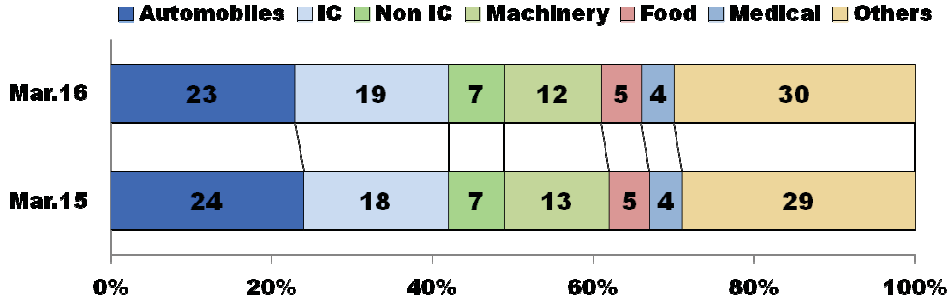


Domestic sales(Non-consolidated)

Ratio to previous term

Automobiles	IC	Non IC	Machinery	Food	Medical	Others
+0%	+9%	+4%	+2%	+3%	+9%	+8%

Component ratio per industry



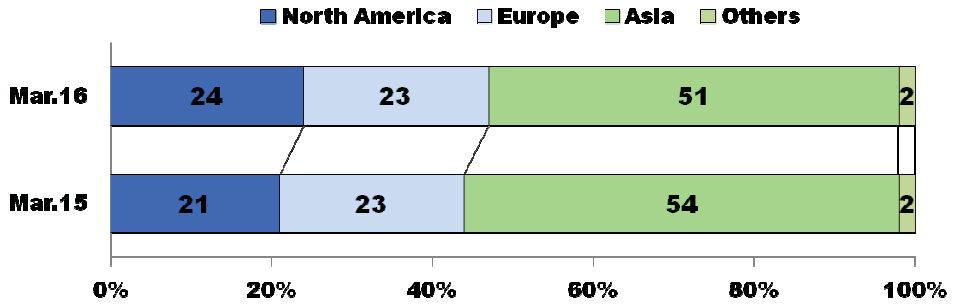
★Results in previous years of sales by prime industrial sector are subject to change retroactively as these sectors may be reviewed and the results corrected at any time.

Export sales(Non-consolidated)

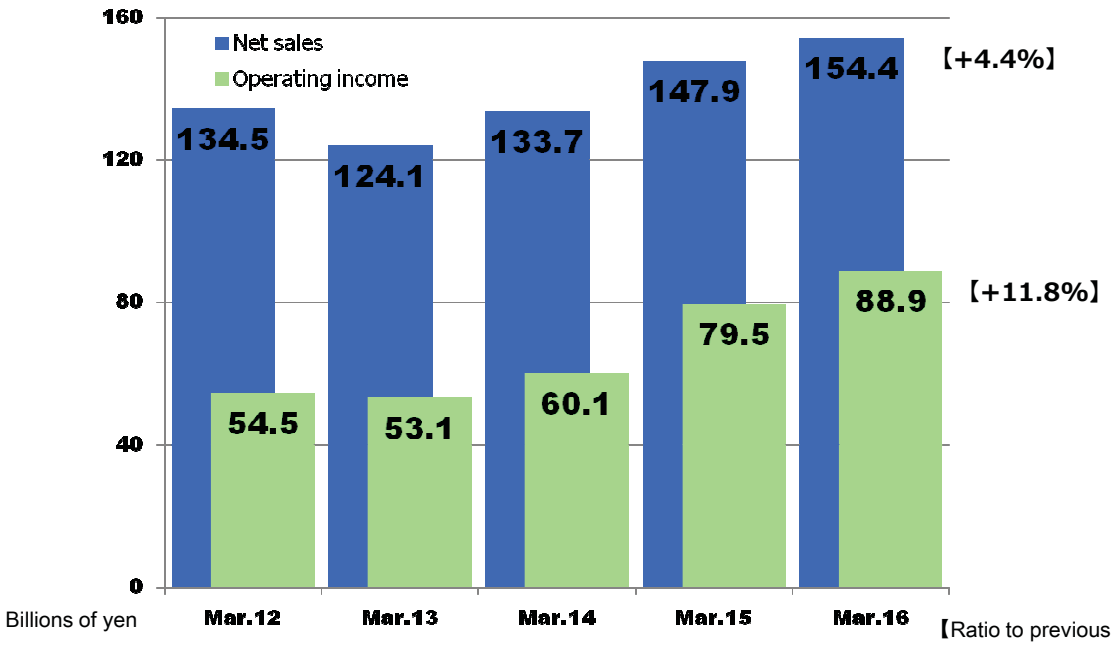
Ratio to previous term

North America	Europe	Asia	Others
+19%	+6%	+2%	-8%

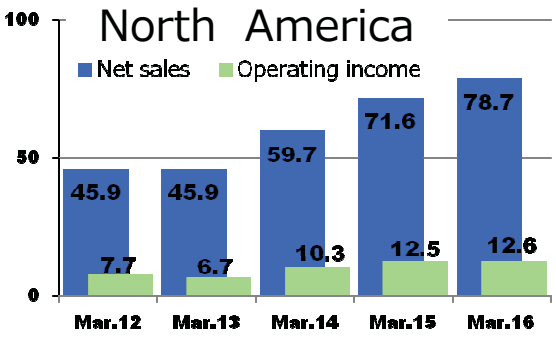
Component ratio per zone

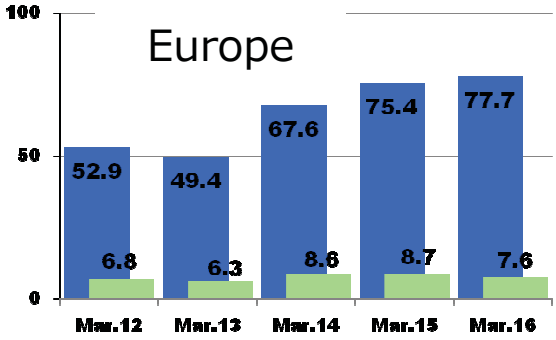


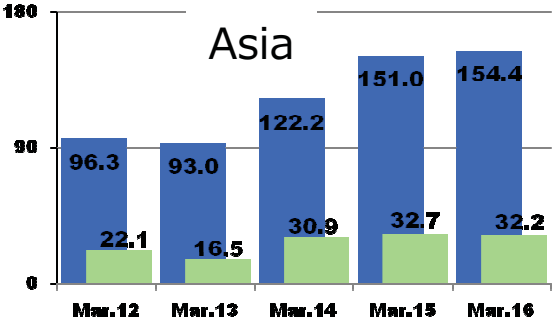
Change in net sales & Operating income - Japan



Change in net sales & Operating income - Overseas





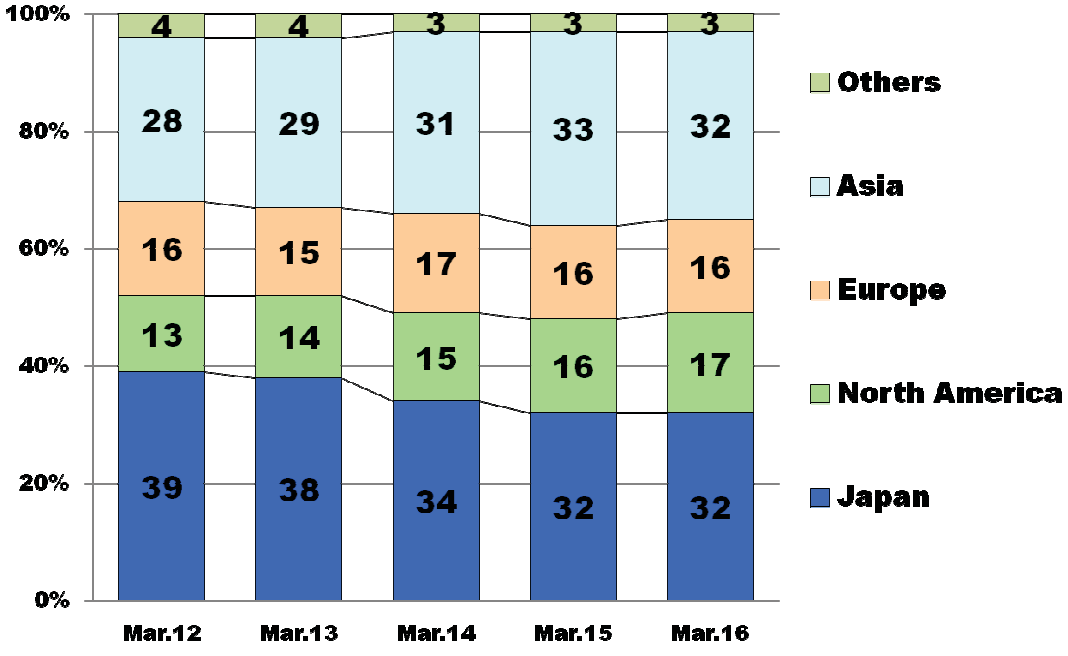


Billions of yen

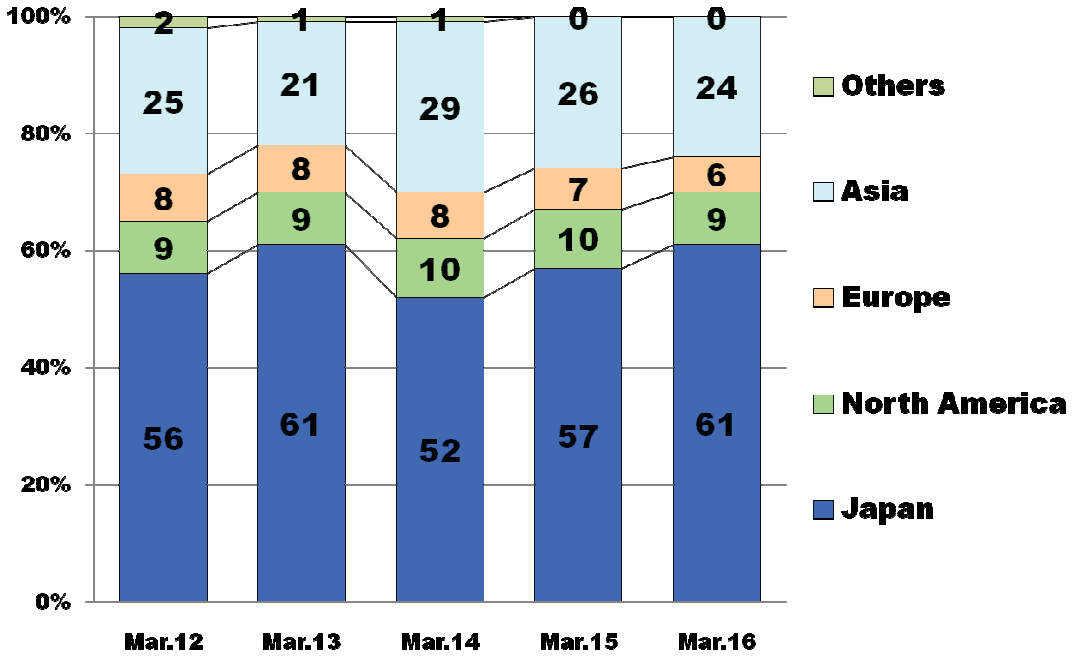
Ratio to previous term

	North America	Europe	Asia
Net sales	+10.0%	+3.1%	+2.3%
Operating income	+0.1%	-12.9%	-1.6%

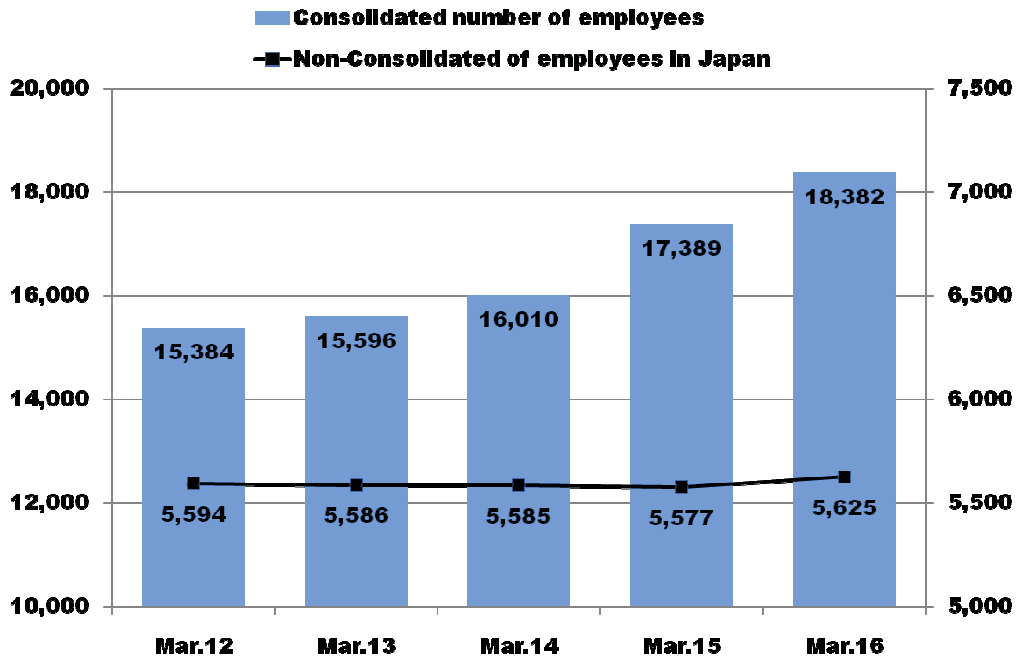
Consolidated net sales -Component ratio per zone



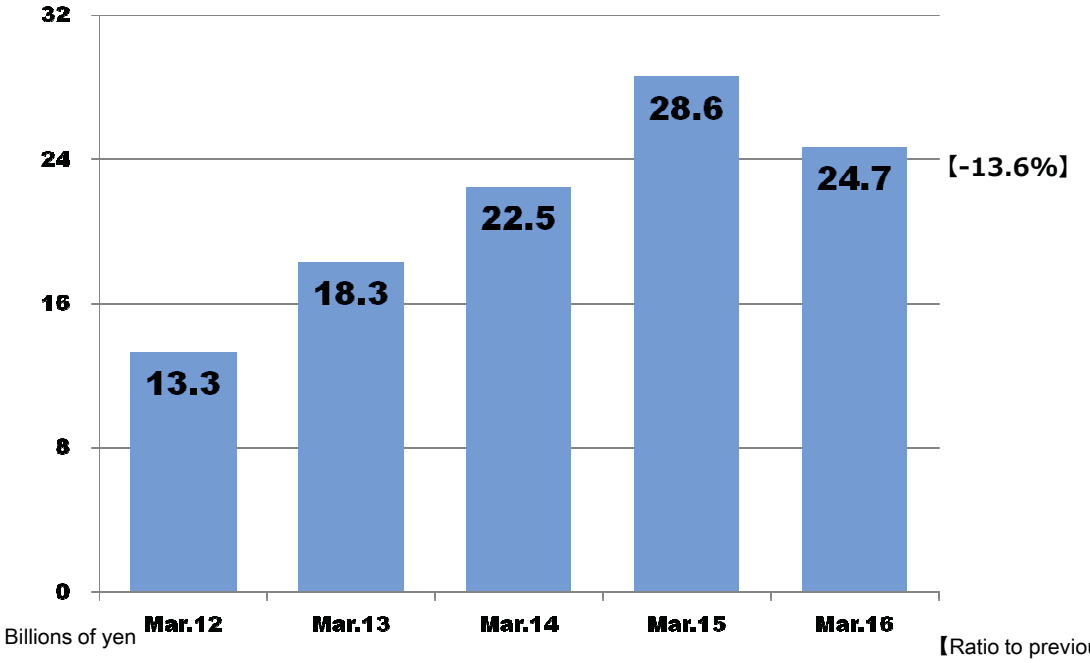
Operating Income
-Component ratio per zone



Number of employees



Capital expenditures



SMC Industrial Automation CZ



SMC Pneumatics Korea

Expansion of Daejeon Factory



SMC Manufacturing(Vietnam)



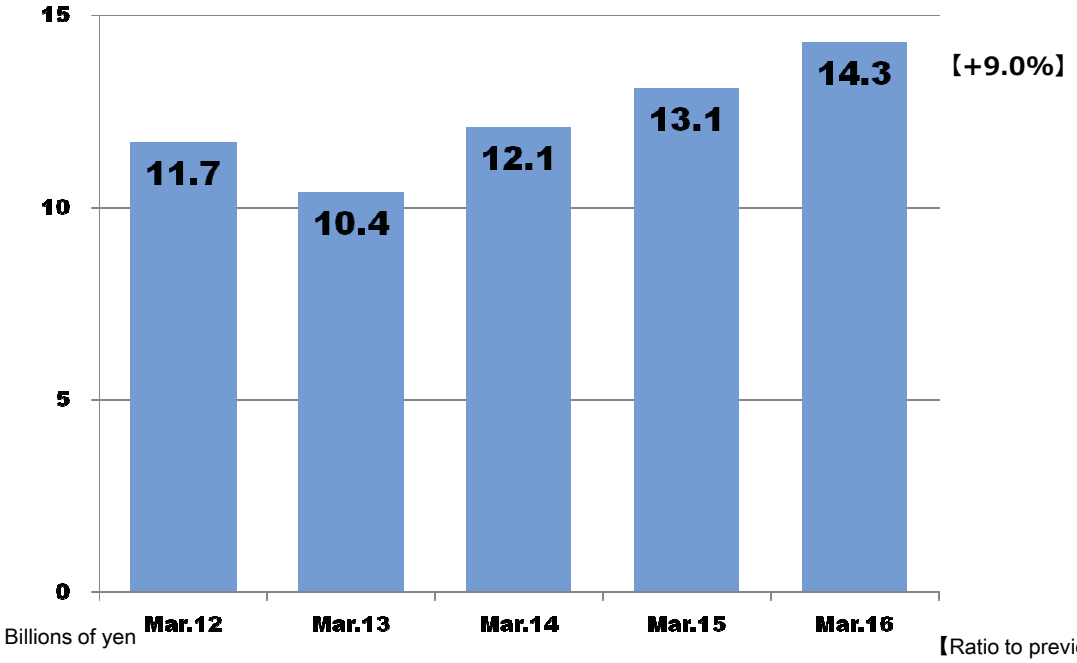
Expansion of Shimotsuma Factory



Expansion of Yamatsuri Factory



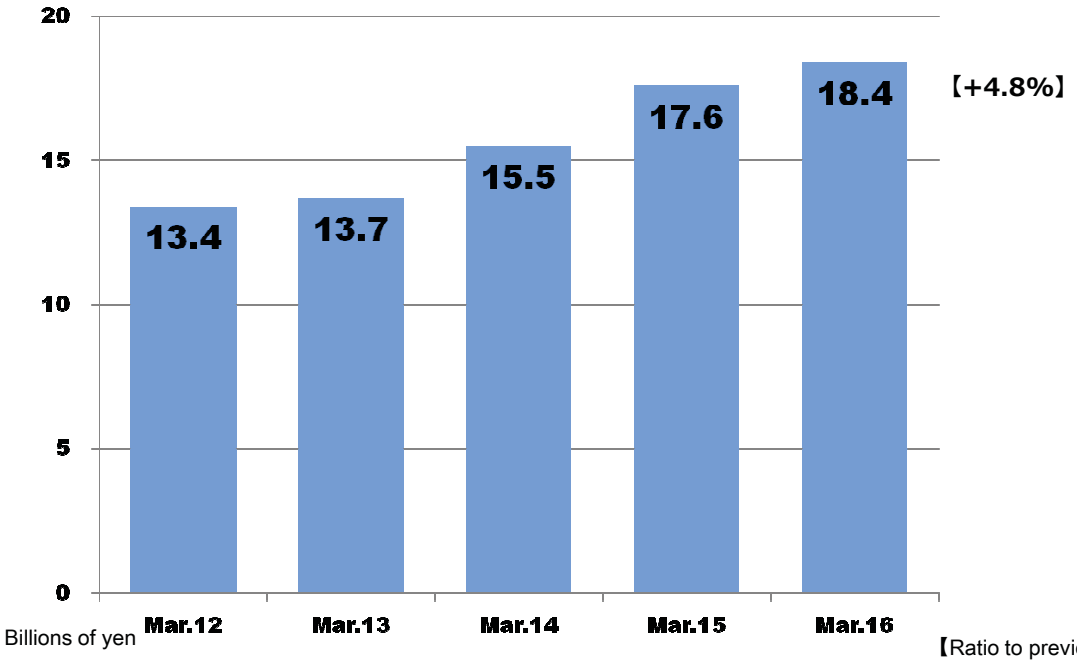
Depreciation



Billions of yen

【Ratio to previous term】

Research & development expense



Billions of yen

【Ratio to previous term】

Consolidated financial statements forecast for the year ending March,2017

(Billions of yen)

	Mar.2016 Monetary value	Mar.2017 (Forecast) Monetary value	Ratio to previous term
Net sales	475.6	450.0	-5%
Domestic	147.2	149.0	+1%
Overseas	328.3	301.0	-8%
Operating income	134.2	107.0	-20%
Ordinary income	129.1	114.0	-12%
Profit attributable to owners of parent	92.1	82.0	-11%
Average Exchange rate(yen)			
US$	120.14	108.00	-10%
EURO	132.59	123.00	-7%

This document contains projections concerning future performance estimates of SMC. These statements are information available at the time of the compiling of this report and may include potential risks and unforeseen factors. Accordingly, Please be aware that actual results may change considerably according to multiple factors that influences the industrial market.

