Presentation of Financial Results for the Second Quarter Ended September 30,2016 (FY2016)

(Supplemental Material for Consolidated Financial Highlights)

November 10,2016

SMC Corporation

FY16 1st Half Financial Results Conference

For 6 months ended on September 30th, 2016

November 10, 2016

SMC Corporation

Katsunori Maruyama, President

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FY16 1st Half Consolidated Financial Summary

- Orders from the semiconductor equipment and portable terminals increased in Japan and Asia. Orders from the automobile related industry increased in Europe and America.
- Net sales and income increased on the quantity basis. However, due to yen's appreciation, the amount of net sales and income decreased, despite promoting rationalization and cost reduction activities.
- Net sales decrease: 5%, Operating income decrease: 4%, Ordinary income decrease: 29%
- The interim dividend per share is 100 yen.

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FY16 1st Half Consolidated Financial Summary Part 1

	FY2015 1st Half	FY2016 1st Half	FY2016 1st Half			
	Results	Plan	Results	Growth rate against Plan	year-on-year % change	FOREX rate impact
Net sales	242.8	225.0	229.8	+2%	▲5%	(▲28.1)
(of which: Overseas net sales)	(170.4)	(150.5)	(155.6)	+3%	▲9%	
Operating income	70.6	53.5	67.8	+27%	▲4%	(▲9.7)
(Operating margin)	(29.1%)	(23.8%)	(29.5%)			
Ordinary income	75.8	57.0	54.1	▲5%	▲29%	(▲29.4)
Net income*1	53.9	41.0	45.8	+12%	▲15%	
FOREX Rate(US$)	¥121.88	¥108.00	¥105.25			
(€)	¥135.10	¥123.00	¥118.11			
Capital expenditures	14.3	17.0	7.4	▲56%	▲48%	
Depreciation expenses for tangible fixed assets	7.2	7.1	6.5	▲8%	▲10%	
R&D expenses	9.3	9.4	9.5	+1%	+2%	

*1 Net Income attributable to SMC Corporation

(Unit: Billions of yen)

The interim dividend per share	100 yen	100 yen	100 yen

FY16 1st Half Consolidated Financial Summary Part 2

	FY2015 1st Half	FY2015	FY2016 1st Half			
	Results	Results	Results	year-on-year % change	Change	Change excluding effecs of FOREX rates
Net asset value	946.2	941.8	917.3	▲3%	▲24.5	(+30.0)
Current assets	812.9	747.1	725.5	▲3%	▲21.6	(+6.5)
(of which: Inventories)	(188.9)	(182.5)	(173.6)	(▲5%)	▲8.9	(+0.8)
Fixed assets	334.7	373.0	356.9	▲4%	▲16.0	(+20.3)
Equity ratio	82.3%	83.9%	84.5%		+0.6%	+0.6%
Equity per share	14,049 yen	13,981 yen	13,614 yen	▲3%	▲367 yen	(+445 yen)
Term end FOREX rate(US$)	¥119.97	¥112.69	¥101.12			
(€)	¥134.94	¥127.57	¥113.29			

(Unit: Billions of yen)

SMC Market Share Trend (SMC Estimation)

◆Point: The demand for the semiconductor equipment and portable terminals has been steady. There is no change in competitive environments!

	'13	'14	'15	'16/Q1 ※
FOREX Rate(¥/$)	(100.17)	(109.76)	(120.14)	(120.14)
Japan	64	65	65	65
North America	21	22	23	23
Europe	19	20	20	20
Asia/Oceania	44	46	46	46
Global Total	32	33	34	34
Global Total(¥/$:120.14)	32	33	34	34

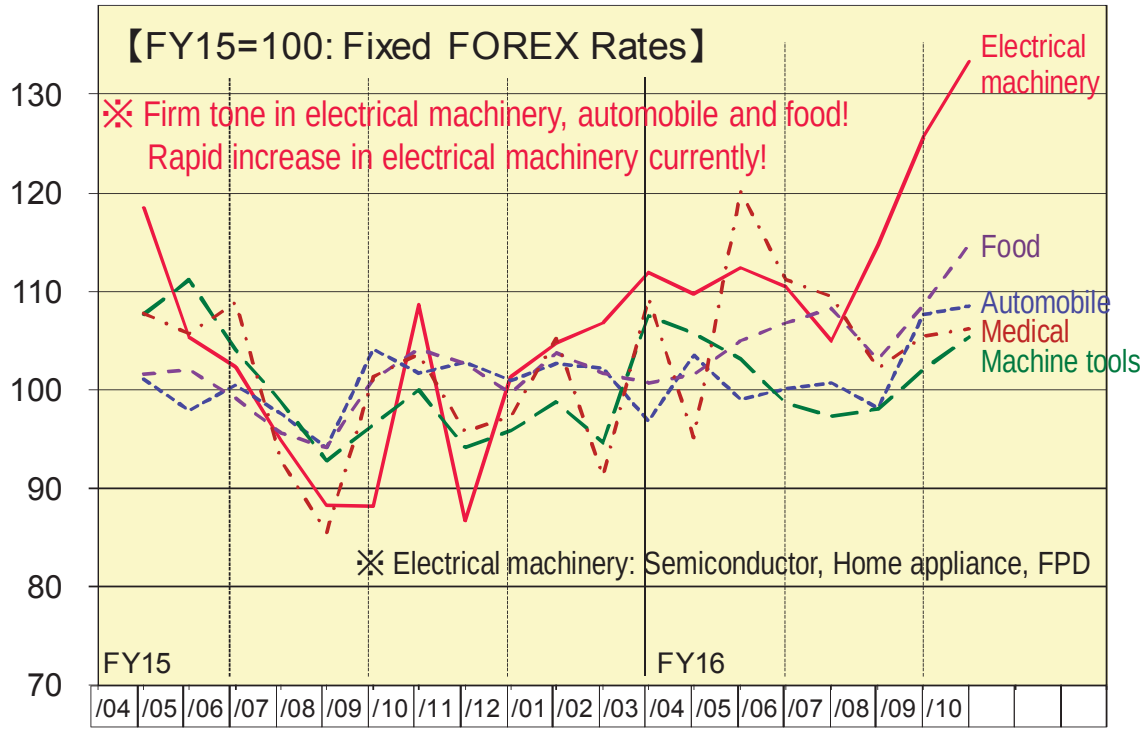
※ '16/Q1 values are our estimates. Source: JFPA, NFPA, VDMA

Current Order Situation (FY15=100)

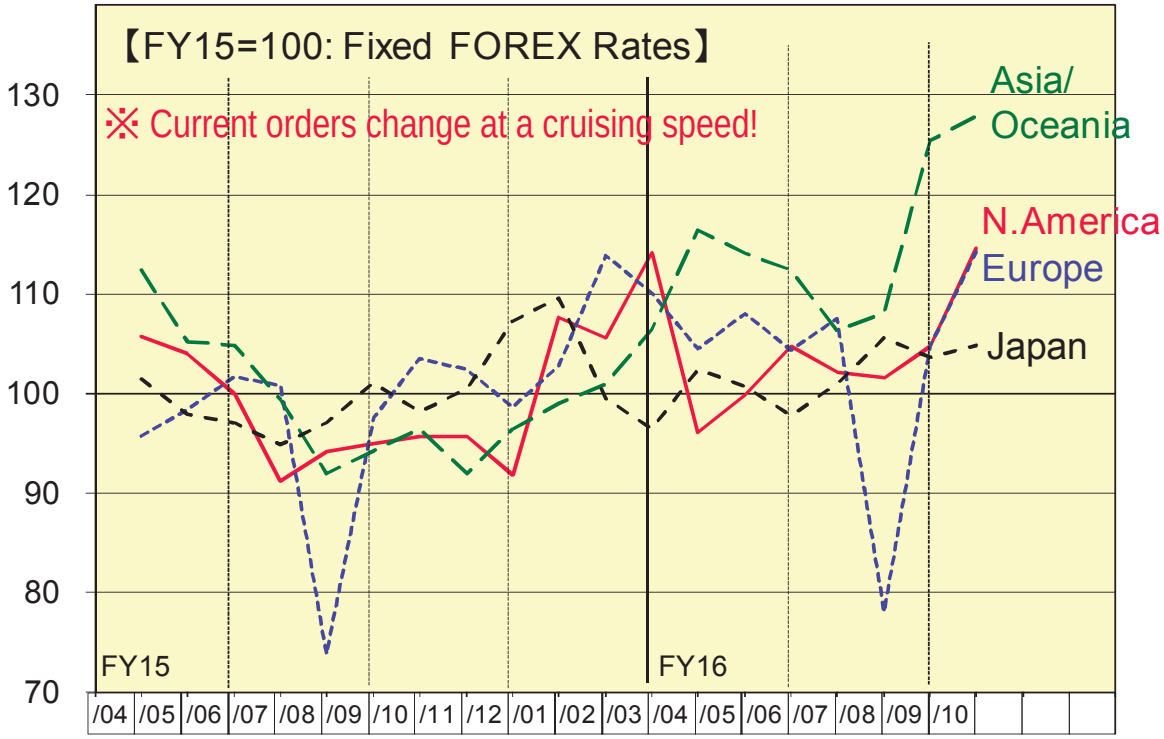
【Fixed FOREX Rates】

		FY15	FY16	'16/1Q	'16/2Q	'16/10	Current situation
Consolidated	Electrical machinery	100	116	111	115	133	Favorable in Japan, China and Korea
	Automobile	100	102	101	102	109	Increase in Europe and America and China
	Machine tools	100	101	102	99	105	Favorable for China and Korea
	Food	100	107	104	107	115	Favorable in Japan, Europe and China
	Medical	100	107	109	106	106	Decrease in Japan, level off in the US
	Other	100	104	104	103	110	
Japan		100	102	100	103	105	Iecrease in the semiconductor and portable terminals
North America		100	103	100	103	115	Increase in the automobile industry
Europe		100	103	106	96	114	Firm tone in the automobile and food industry
Asia & Oceania		100	116	114	113	128	Iecrease in the automobile and portable terminals
Consolidated		100	107	106	106	115	

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 mainly in the emerging countries, and the request for quality improvement, the demand for factory automation continues to expand!

【Attentions】

【1】The competition has become globalized.

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

【3】Local production moves mainly in Asia.

【4】Technical innovation is based on saving-energy, saving-space, downsizing, lightening and highly functional products.

Focused Measures for the FY16 2nd Half

☆ 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 and activate sales force competitiveness

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

【3】Reinforce global production and supply network

【4】Reinforce information network for global cooperation, unifying the production, sales and engineering department.

Premises for FY16 Financial Forecasts

【1】Current orders keep firm tone in each region, they also shows increasing tendency on the quantity basis. Local production of semiconductor and portable terminals moves mainly in Asia. We will observe the movement from now on.

【2】We assume FOREX rate to be (JPY/USD=108 ⇒103, JPY/EUR=123 ⇒115) for the full year, supposing that the current yen's appreciation tendency will go on in the FY16 2nd half. FOREX loss will continue to increase in the 2nd half.

FY16 Revised Financial Forecasts

	FY2015	FY2016		FY2016		
	Results	Original Forecasts	year-on-year % change	Revised Forecasts	year-on-year % change	FOREX rate impact
Net sales (of which: Overseas net sales)	475.6 (328.3)	450.0 (301.0)	▲5% ▲8%	450.0 (301.0)	▲5% ▲8%	(▲52.2)
Operating income (Operating margin)	134.2 (28.2%)	107.0 (23.8%)	▲20%	122.0 (27.1%)	▲9%	(▲22.9)
Ordinary income	129.1	114.0	▲12%	110.0	▲15%	(▲28.9)
Net income*1	92.1	82.0	▲11%	87.0	▲6%	
FOREX Rate(US$) (€)	¥120.14 ¥132.59	¥108.00 ¥123.00		¥103.00 ¥115.00		
Capital expenditures	24.7	47.6	+92%	25.5	+3%	
Depreciation expenses for tangible fixed assets	14.3	14.8	+3%	14.3	+0%	
R&D expenses	18.4	18.9	+2%	19.0	+3%	

*1 Net Income attributable to SMC Corporation

(Unit: Billions of yen)

Annual dividend per share	200 yen	200 yen		200 yen		

Summary

【1】We expect the stable growth in the demand for pneumatic products as a key device for the manufacturing industry.

【2】We will promote strengthening our standings against the intensified global competition.

- Exercise the mobility among the production, sales and engineering department, Be thorough with rationalization and cost reduction activities
- Invest in the new products development, equipment, research and human resources for the future growth

【3】We will focus on securing a stable and appropriate “shareholder return”. We think of it as meeting the expectation of investors that we improve the enterprise value by expanding our performance and contribute to the society.

Notice

This document contains projections concerning the 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 30,2016

SMC Corporation

Ikuji Usui, Executive Managing Director
November 10,2016

Actual achievement-Highlights

	Sep.2015		Sep.2016			
	Monetary value	Ratio to net sales	Monetary value	Ratio to net sales	Increase/decrease	Ratio to previous term
Net sales	242.8		**229.8**		-13.0	-5.4
Cost of sales	119.9	49.4%	**112.7**	**49.0%**	-7.2	-6.0
Gross profit	122.9	50.6%	**117.1**	**50.9%**	-5.7	-4.7
Selling,general,& administrative expenses	52.2	21.5%	**49.3**	**21.4%**	-2.9	-5.7
Operating income	70.6	29.1%	**67.8**	**29.5%**	-2.8	-4.0
Ordinary income	75.8	31.2%	**54.1**	**23.6%**	-21.6	-28.6
Profit attributable to owners of parent	53.9	22.2%	**45.8**	**19.9%**	-8.0	-5.0

Exchange rate(yen)

(Billions of yen)

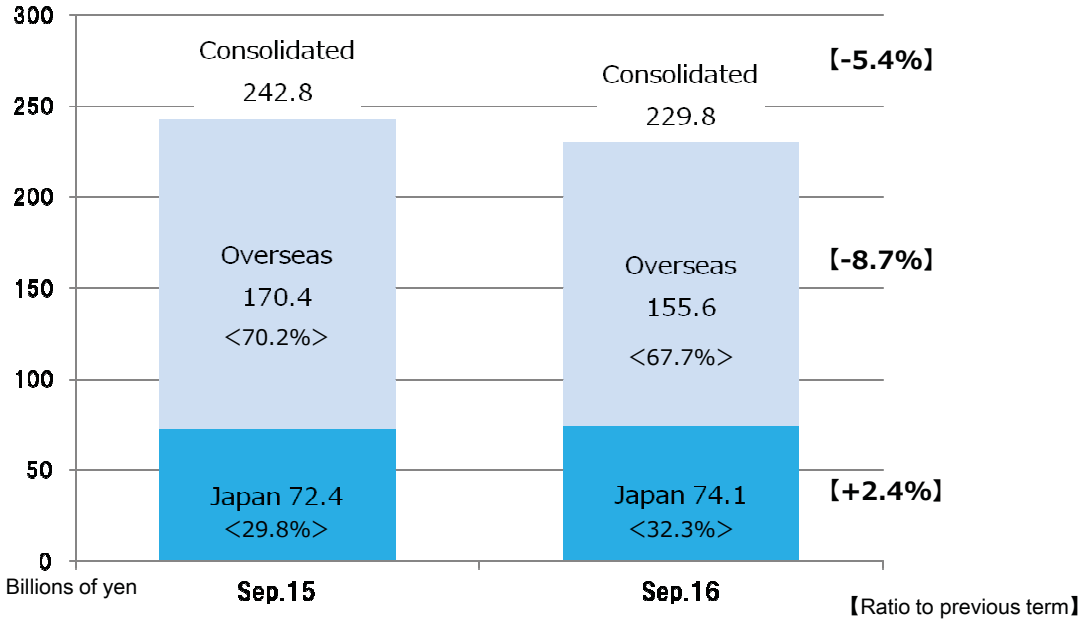
Average	US$	121.88	**105.25**
	EUR	135.10	**118.11**
End of the 2nd Quarter	US$	119.97	**101.12**
	EUR	134.94	**113.29**

Profit

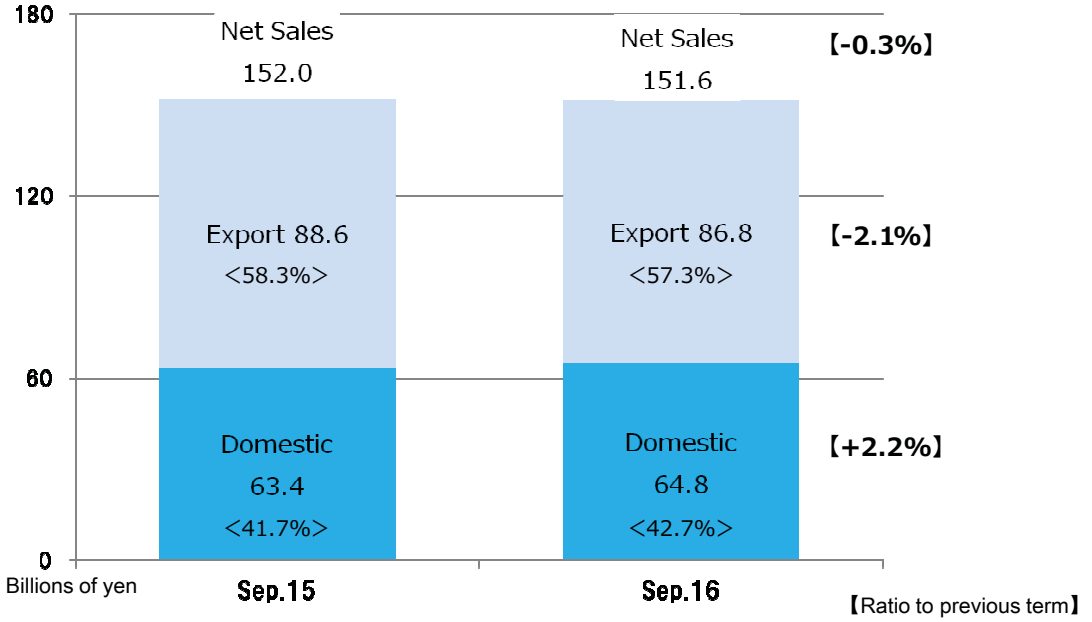
	Sep.2015 Monetary value	Sep.2016 Monetary value	Increase/decrease	Ratio to previous term
Operating income	70.6	**67.8**	-2.8	-4.0
Non-Operating income	5.4	**4.6**	-0.8	-16.0
Exchange gain	0.7		-0.7	
Non-Operating expenses	0.3	**18.2**	17.9	5625.2
Exchange loss		**18.0**	18.0	
Ordinary income	75.8	**54.1**	-21.6	-28.6
Extraordinary income	0.2	**0.1**	-0.1	-25.4
Extraordinary loss	0.0	**1.4**	1.4	3164.5
Net income before tax	76.0	**52.9**	-23.1	-30.4
Profit attributable to owners of parent	53.9	**45.8**	-8.0	-15.0

(Billions of yen)

Net sales(Consolidated)



Net sales(Non-Consolidated)

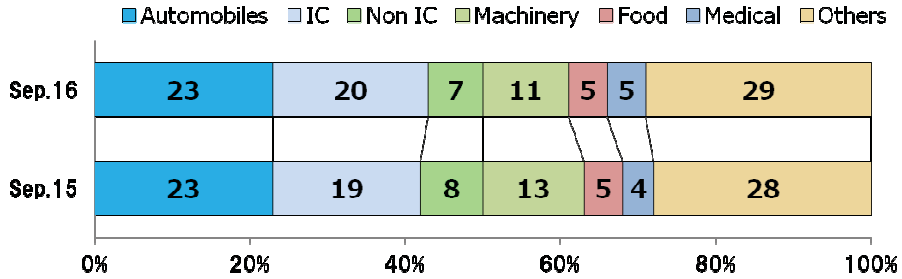


Domestic sales(Non-consolidated)

Ratio to previous term

Automobiles	IC	Non IC	Machinery	Food	Medical	Others
+3%	+7%	-6%	-7%	+7%	+3%	+4%

Component ratio per industry



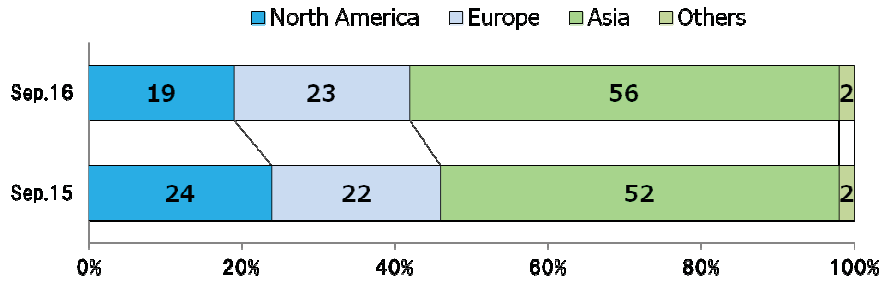
★Results in previous years of sales by prime industrial sector are subject to change retroactively as these sectors may be reviewed and the results corrected at any time.

Export sales(Non-consolidated)

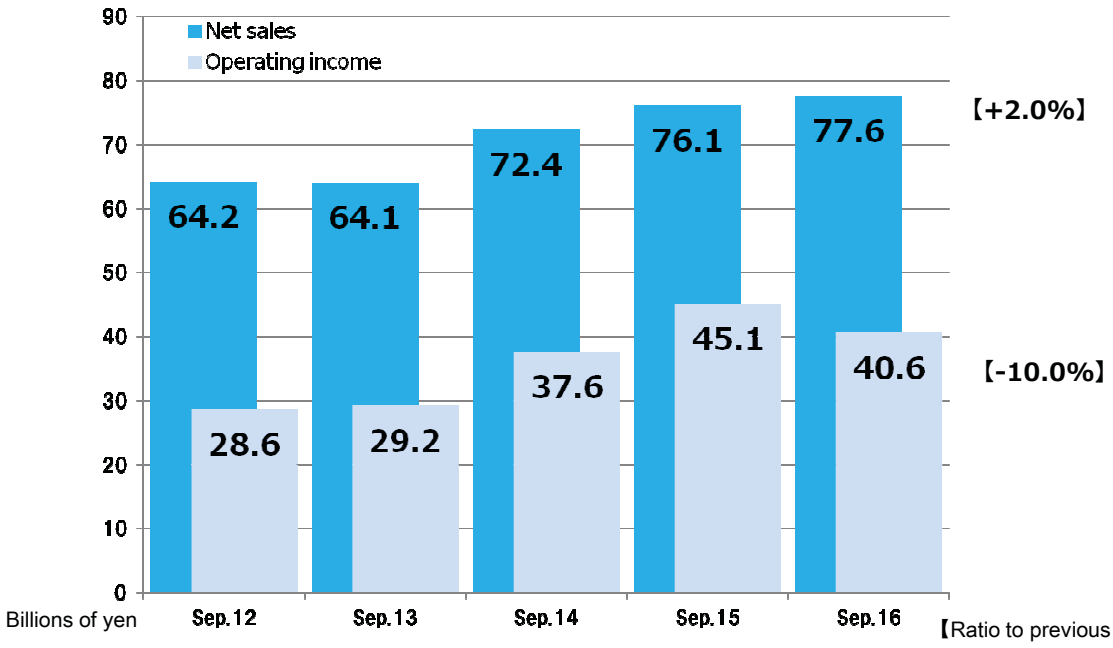
Ratio to previous term

North America	Europe	Asia	Others
-21%	-1%	+6%	+1%

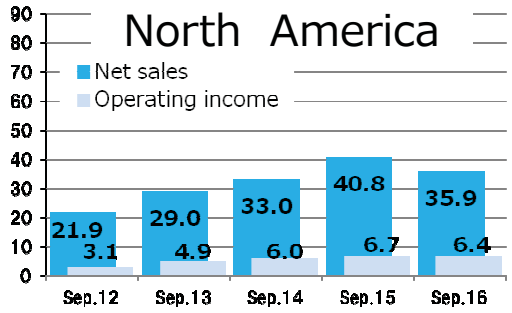
Component ratio per zone

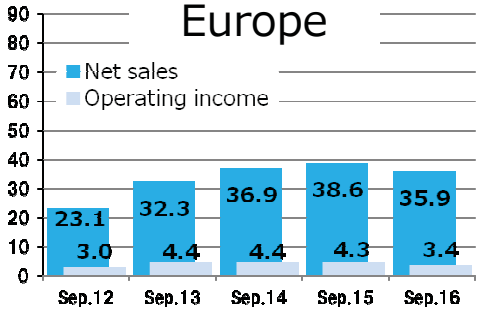


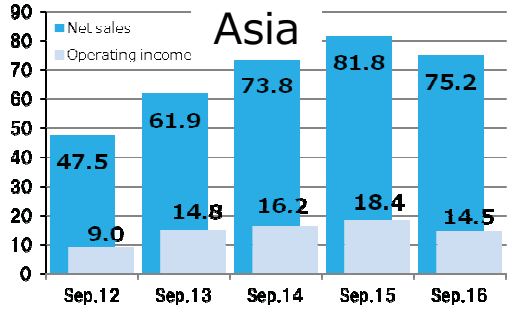
Change in net sales & Operating income - Japan



Change in net sales & Operating income - Overseas





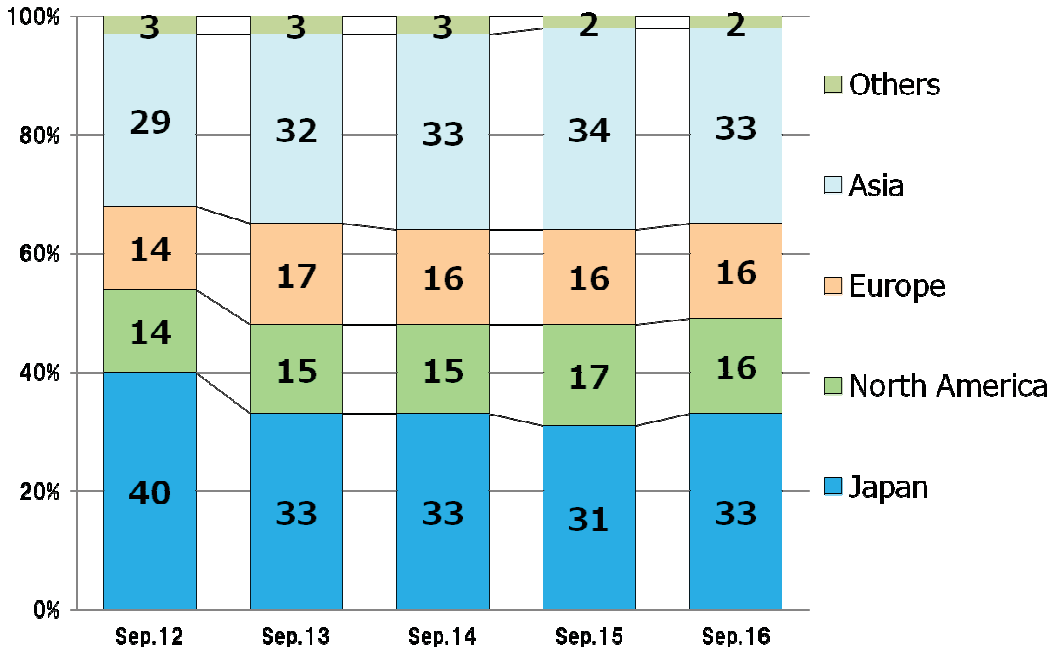


Billions of yen

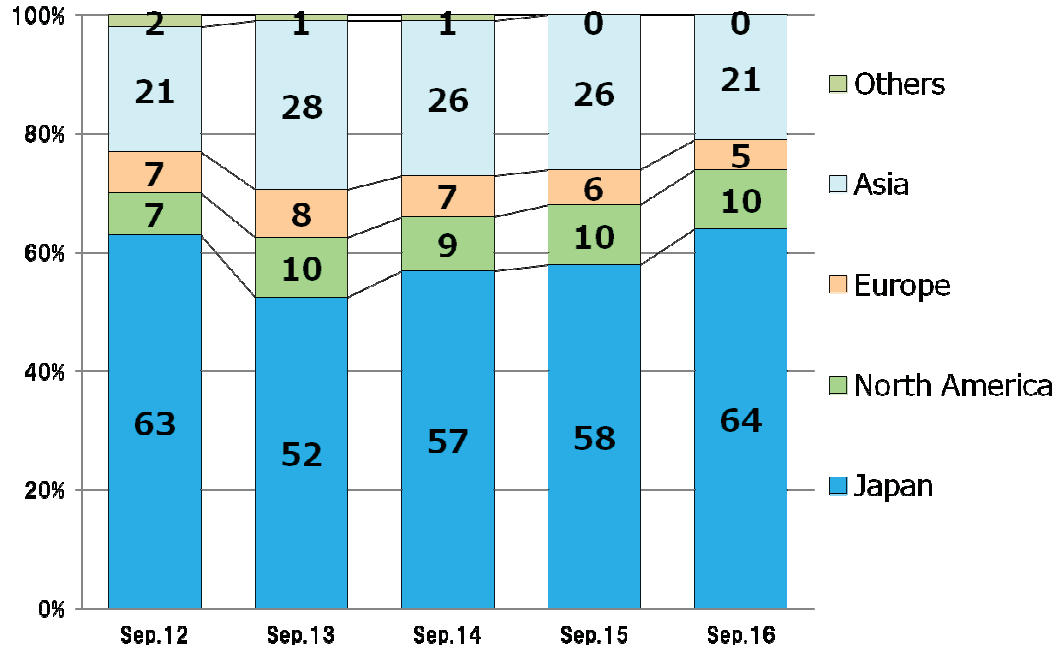
Ratio to previous term

	North America	Europe	Asia
Net sales	-11.9%	-7.0%	-8.1%
Operating income	-3.9%	-20.9%	-21.2%

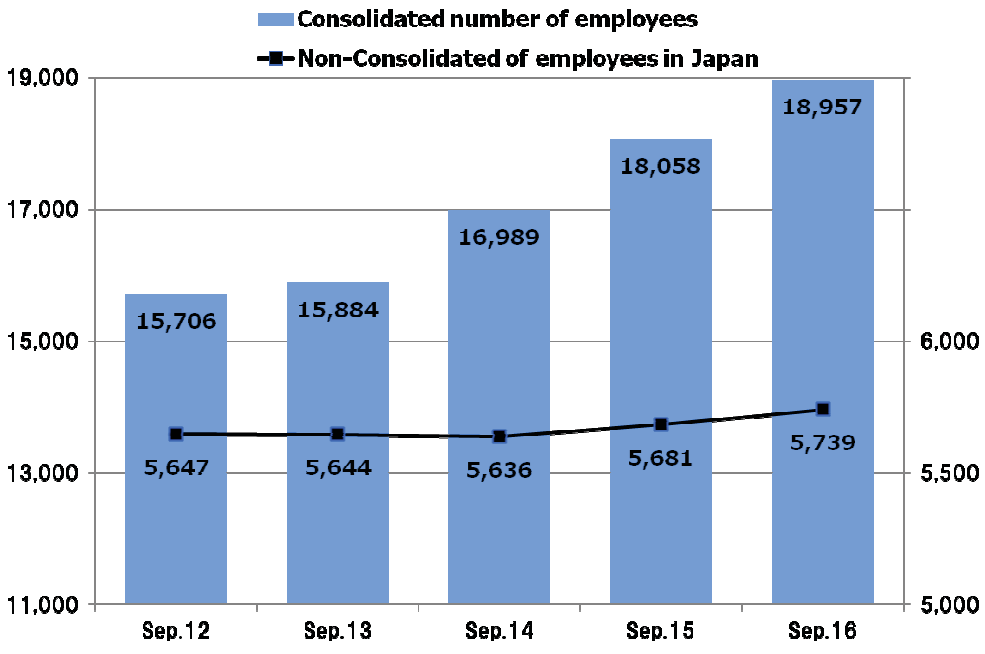
Consolidated net sales -Component ratio per zone



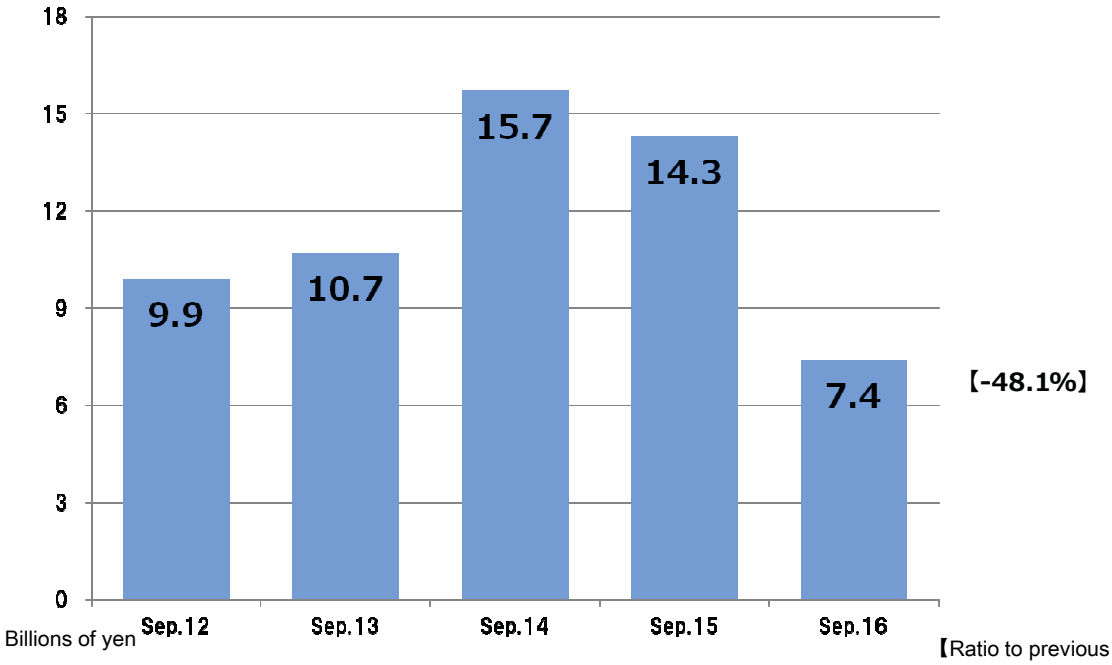
Operating Income
-Component ratio per zone



Number of employees



Capital expenditures



SMC Pneumatics(VN) Co.,Ltd.



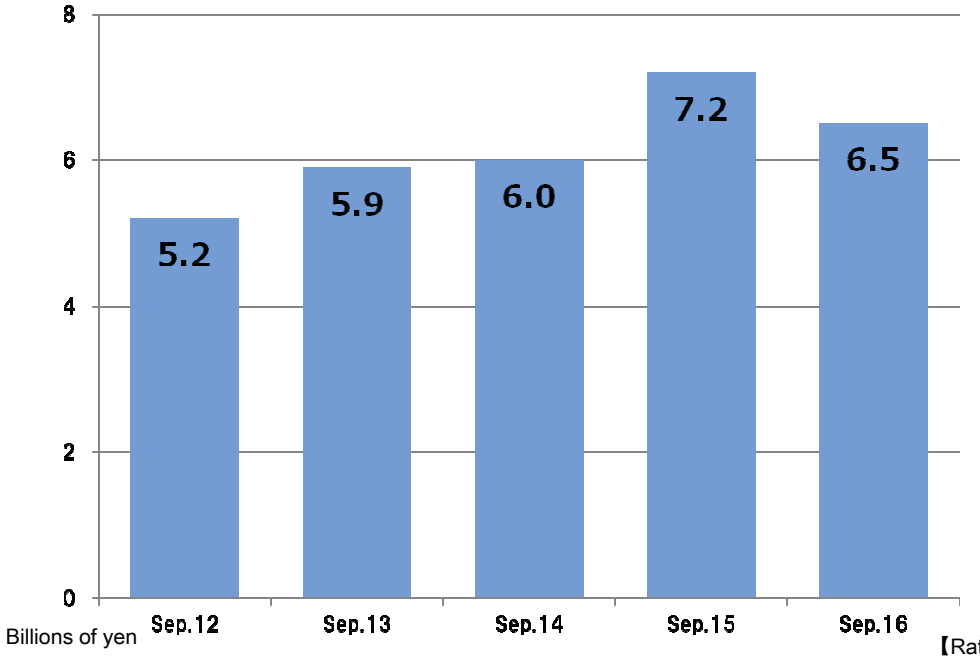
Expansion of Shimotsuma Factory



Expansion of Yamatsuri Factory



Depreciation

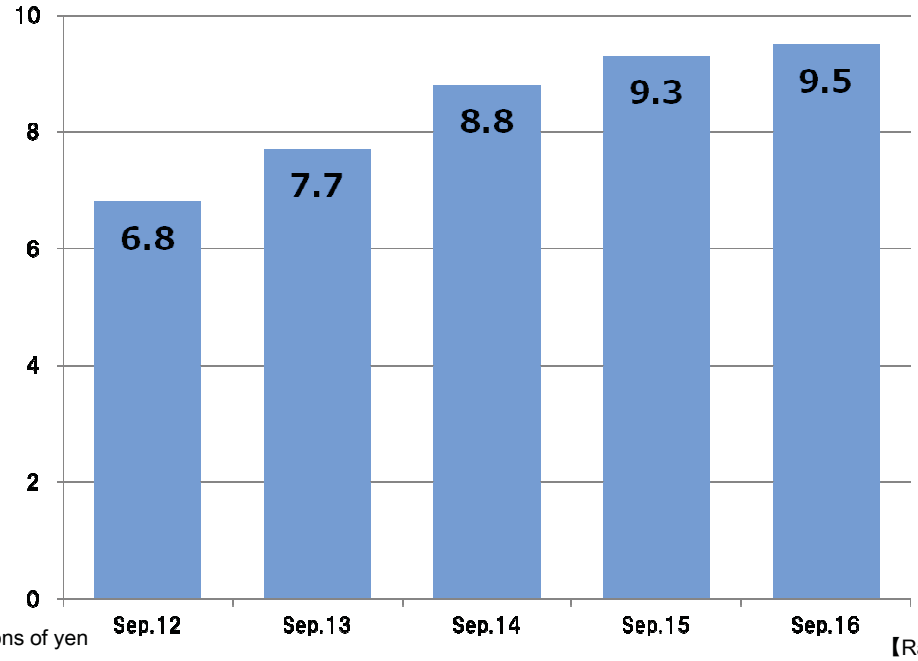


【-9.9%】

Billions of yen

【Ratio to previous term】

Research & development expense



【+1.8%】

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**	**122.0**	**-9%**
Ordinary income	**129.1**	**110.0**	**-15%**
Profit attributable to owners of parent	**92.1**	**87.0**	**-6%**
Average Exchange rate(yen)			
US$	**120.14**	**103.00**	**-14%**
EURO	**132.59**	**115.00**	**-13%**

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.

