Presentation of Financial Results for the Second Quarter Ended September 30,2018 (FY2018)

(Supplemental Material for Consolidated Financial Highlights)

November 9,2018

SMC Corporation

FY18 1st Half Financial Results Conference

For the 6 months ended on September 30th, 2018

November 9th, 2018

SMC Corporation

Katsunori Maruyama, President

FY18 1st Half Consolidated Financial Summary

- Orders in Japan and Europe kept firm tone. However, orders from the semiconductor production equipment decreased in reaction to the increase in the previous fiscal year, the portable terminals and the machine tools related industry were weak mainly in the US and Asia.
- Net sales and income kept increasing tendency due to the rationalization and cost reduction efforts.
- Net sales increase: 4%, Operating income increase: 2%, Ordinary income increase: 9%
- The interim dividend per share is 200 yen.

FY18 1st Half Consolidated Financial Summary Part 1

	FY2017 1st Half	FY2018 1st Half	FY2018 1st Half			
	Results	Plan	Results	Growth rate against Plan	year-on-year % change	FOREX rate impact
Net sales	291.3	305.0	302.4	▲1%	+4%	(+1.1)
(Sales to external customers of overseas)	(201.3)	(207.0)	(205.7)	▲1%	+2%	
Operating income	95.3	100.0	97.5	▲3%	+2%	(+0.6)
(Operating margin)	(32.7%)	(32.8%)	(32.2%)			
Ordinary income	103.4	102.5	112.3	+10%	+9%	(+5.4)
Profit attributable to owners of parent	74.0	71.5	76.0	+6%	+3%	
FOREX Rate(US$)	¥111.05	¥105.00	¥110.26			
(€)	¥126.31	¥130.00	¥129.78			
Capital expenditures(tangible/intangible)	12.6	16.0	14.7	▲8%	+17%	
Depreciation expenses (tangible/intangible)	7.5	8.0	7.7	▲4%	+2%	
R&D expenses	10.1	10.6	10.4	▲1%	+4%	

(Unit: Billions of yen)

The annual dividend per share	200 yen	200 yen	200 yen

FY18 1st Half Consolidated Financial Summary Part 2

	FY2017 1st Half	FY2017	FY2018 1st Half			
	Results	Results	Results	year-on-year % change	Change	Change excluding effecs of FOREX rates
Net asset value	1,117.5	1,150.4	1,220.8	+6%	+70.4	(+64.0)
Current assets	905.3	939.9	953.6	+1%	+13.7	(+7.6)
(of which: Inventories)	(195.7)	(205.6)	(222.6)	(+8%)	+17.0	(+15.1)
Fixed assets	407.5	402.9	418.0	+4%	+15.1	(+14.3)
Equity ratio	84.9%	85.4%	88.8%		+3.4%	
Equity per share	16,581 yen	17,067 yen	18,112 yen	+6%	+1,045 yen	(+952 yen)
Term end FOREX rate(US$)	¥112.74	¥106.27	¥113.58			
(€)	¥132.81	¥130.58	¥132.15			

(Unit: Billions of yen)

SMC Market Share Trend (SMC Estimation)

◆Point: The market share in each region has come to a standstill with the decreasing demand for the semiconductor equipment and the portable terminals industry.

	'15	'16	'17		'18/Q1 ※
Rate(¥/$)	(120.14)	(108.38)	(110.85)		(110.85)
Japan	65	65	65		65
North America	23	24	25	⇨	25
Europe	20	20	21		21
Asia/Oceania	46	47	48		48
Global Total	34	35	36		36
Global Total(¥/$:110.85)	34	35	36		36

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

Current Order Situation (FY17=100)

【Fixed FOREX Rates】

		FY18	'18/1Q	'18/2Q	'18/10	Current situation
Consolidated	Electrical machinery	90	101	81	82	Decrease in Japan, the US and Asia
	Automobile	102	105	99	102	Firm tone in Europe, however, decrease in North America
	Machine tools	100	107	95	95	Decrease in Japan and Asia
	Food	103	105	100	103	Firm tone in Japan, Europe and China
	Medical	104	106	104	100	Firm tone in Europe and China
	Other	97	100	95	97	
Japan		100	101	99	97	Decrease in the semiconductor, however, firm tone in the automobile industry
North America		88	92	86	84	Reactionary fall from the satisfactory FY17 1st half in the semiconductor industry
Europe		104	110	97	107	Remain strong in all industries
Asia & Oceania		98	108	90	93	Decrease in the semiconductor and the machine tools industry
Consolidated		98	104	93	95	

Orders Situation in October 2018 (Region/Industry)

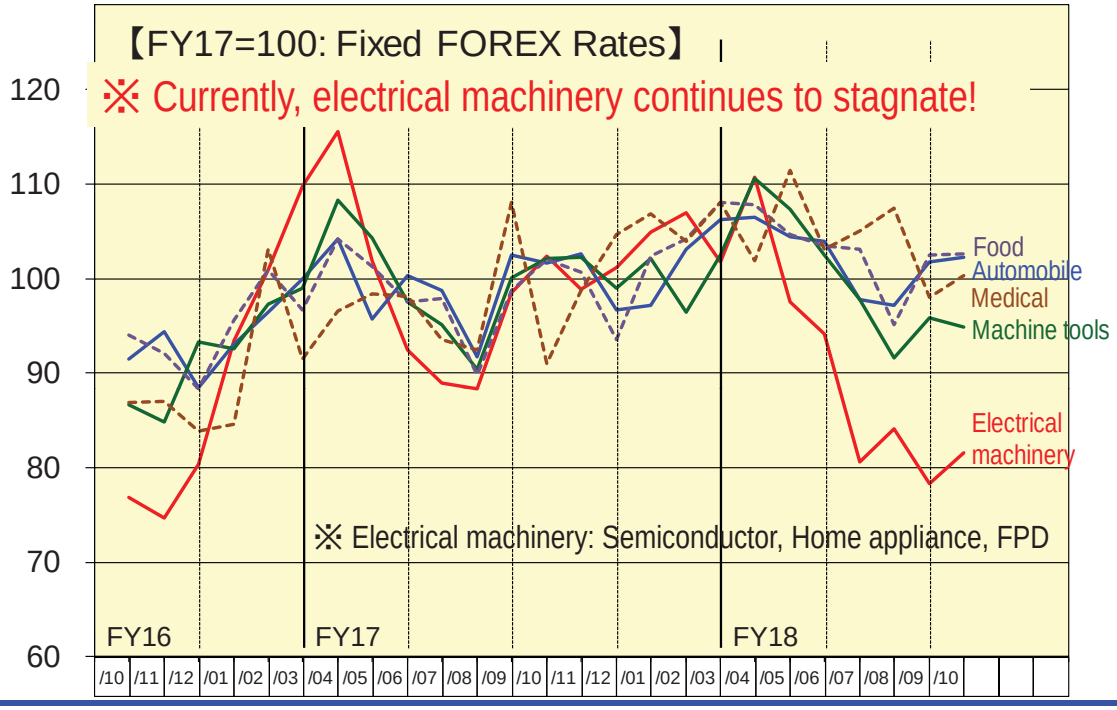
【October 2018】

	Electrical machinery	Automobile	Machine tools	Food	Medical	Other	Total
Japan	☂	🌥	☂	🌥	☂	☀	↘
North America	☂	☂	🌥	☂	☂	↘	☂
Europe	☀	☀	🌥	🌥	☀	🌥	🌥
Asia & Oceania	☂	🌥	☂	☀	↘	☂	☂
Global Total	☂	🌥	☂	🌥	☁	↘	☂

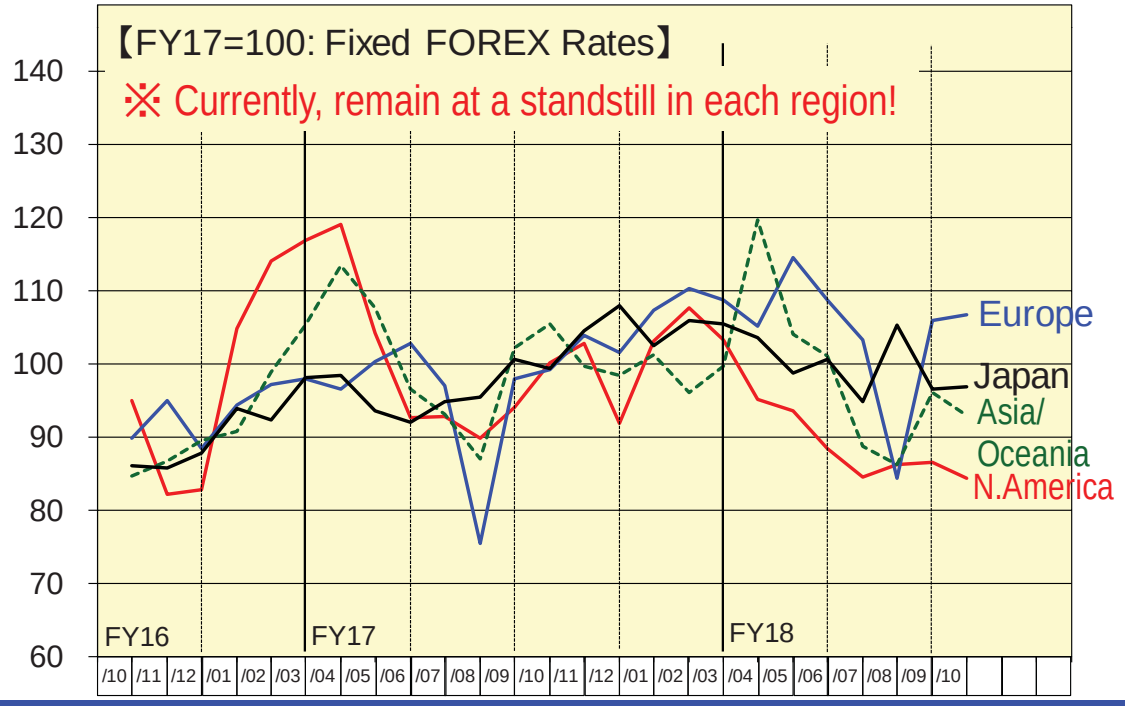
Year-on-Year % change (FY17=100)

☀ ～+5　🌥 +5～　☁ ±1　↘ ～-5　☂ -5～

Consolidated Orders Trend By Industry (FY17=100)



Consolidated Orders Trend By Region (FY17=100)



Pneumatic Demand Environment

☆ Protectionism has risen on a global basis!

【Points to note】

【1】The IoT-model industrial structure is sophisticated.
The current toward Smart Factories becomes serious.

【2】The request for environment friendly products
The current toward Electric Vehicles
Energy-saving, resource-saving, space-saving products

【3】The new market, production sites, distribution types and the competition are diversified.

Focused Measures for the FY18 2nd Half

☆ We will maintain the basic posture! We recognize that we are at a turning point in our environment. We will continue improving our bases for the future and making investment for our growth!

【1】Propose products with environment friendly, appropriate quality and price to the market

【2】Reinforce production and supply network on a global basis

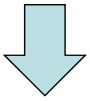
【3】Reinforce information network for global cooperation among the production, sales and engineering department

【4】Increase sales, reinforce and activate sales force competitiveness

Premises for FY18 Financial Forecasts

【1】The demand for the semiconductor production equipment and the portable terminals which went well in the previous fiscal year has passed through. We assume that a correction phase will go on in the FY18 2nd half.

【2】We assume the FY18 full year FOREX rate to be (JPY/USD=110, JPY/EUR=130), the same level as that of the FY18 1st half.



FY18 Revised Financial Forecasts

	FY2017 Results	FY2018 Original Forecasts	year-on-year % change	FY2018 Revised Forecasts	year-on-year % change	FOREX rate impact
Net sales	591.0	610.0	+3%	590.0	▲0%	(▲4.3)
(Sales to external customers of overseas)	(402.8)	(414.0)	+3%	(400.0)	▲1%	
Operating income	192.4	200.0	+4%	188.0	▲2%	(▲0.9)
(Operating margin)	(32.6%)	(32.8%)		(31.9%)		
Ordinary income	196.8	205.0	+4%	203.0	+3%	(+9.9)
Profit attributable to owners of parent	136.8	143.0	+4%	140.0	+2%	
FOREX Rate(US$)	¥110.85	¥105.00		¥110.00		
(€)	¥129.63	¥130.00		¥130.00		
Capital expenditures(tangible/intangible)	23.6	40.0	+69%	40.0	+69%	
Depreciation expenses (tangible/intangible)	15.2	16.8	+10%	16.0	+5%	
R&D expenses	20.2	21.3	+5%	21.3	+5%	

(Unit: Billions of yen)

The annual dividend per share: 400 yen

Summary

【1】The global business environment has changed considerably with the rise of protectionism. However, 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, preparing for 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 “return to shareholders”. 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, noting the corporate governance .

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 30,2018

SMC Corporation

Ikuji Usui,
Director and Senior Managing Executive Officers
November 9,2018

Actual achievement-Highlights

	Sep.2017		Sep.2018			
	Monetary value	Ratio to net sales	Monetary value	Ratio to net sales	Increase/decrease	Ratio to previous term
Net sales	291.3		**302.4**		11.0	3.8
Cost of sales	139.9	48.0%	**146.0**	**48.3%**	6.0	4.3
Gross profit	151.3	52.0%	**156.4**	**51.7%**	5.0	3.3
Selling,general,& administrative expenses	56.0	19.2%	**58.9**	**19.5%**	2.9	5.2
Operating income	95.3	32.7%	**97.5**	**32.2%**	2.1	2.2
Ordinary income	103.4	35.5%	**112.3**	**37.1%**	8.9	8.6
Profit attributable to owners of parent	74.0	25.4%	**76.0**	**25.1%**	2.0	2.7

(Billions of yen)

Exchange rate(yen)

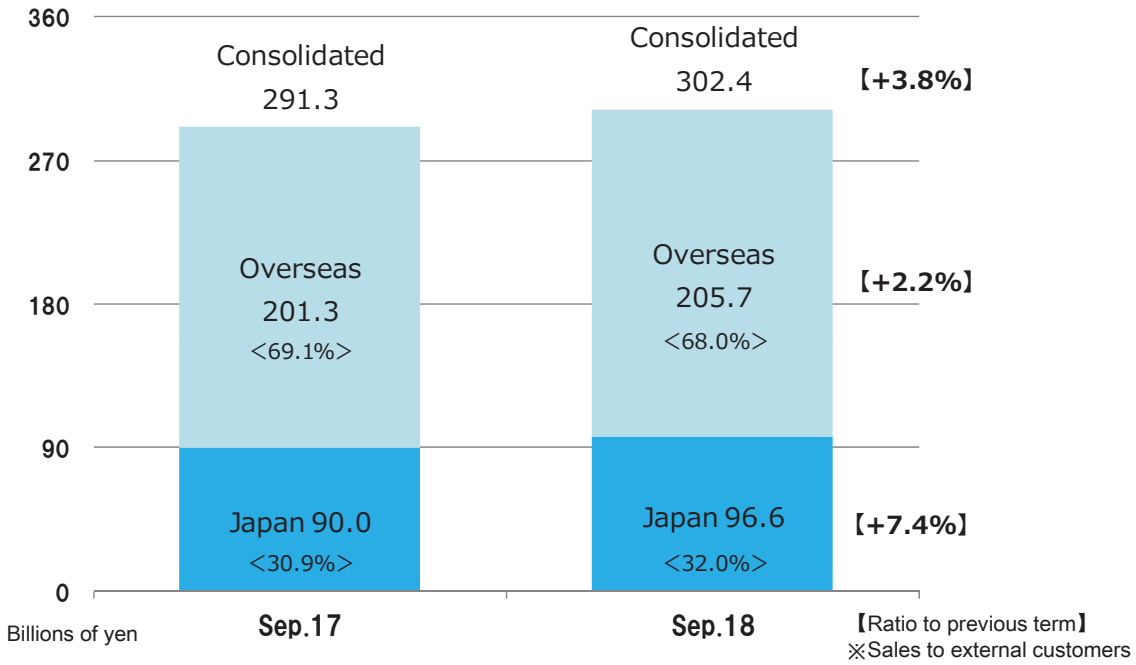
		Sep.2017	Sep.2018
Average	US$	111.05	**110.26**
	EUR	126.31	**129.78**
End of the 2nd Quarter	US$	112.74	**113.58**
	EUR	132.81	**132.15**

Profit

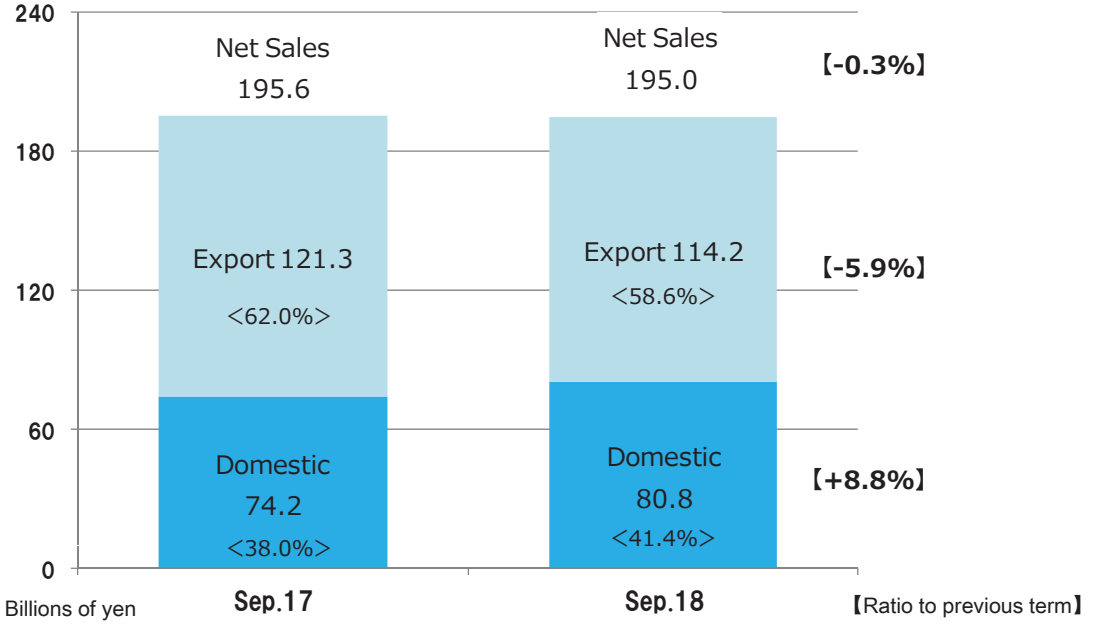
	Sep.2017 Monetary value	Sep.2018 Monetary value	Increase/decrease	Ratio to previous term
Operating income	95.3	**97.5**	2.1	2.2
Non-Operating income	8.3	**15.0**	6.6	79.8
Exchange gain	3.1	**7.8**	4.6	147.6
Non-Operating expenses	0.3	**0.2**	-0.0	-29.7
Ordinary income	103.4	**112.3**	8.9	8.6
Extraordinary income	0.1		-0.0	-36.6
Extraordinary loss	0.9		-0.9	-96.0
Net income before tax	102.5	**112.3**	9.7	9.5
Profit attributable to owners of parent	74.0	**76.0**	2.0	2.7

(Billions of yen)

Net sales(Consolidated)



Net sales(Non-Consolidated)

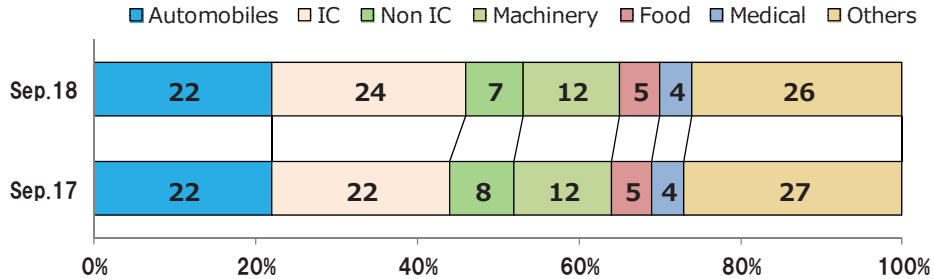


Domestic sales(Non-consolidated)

Ratio to previous term

Automobiles	IC	Non IC	Machinery	Food	Medical	Others
+8%	+15%	-7%	+7%	+3%	+10%	+10%

Component ratio per industry



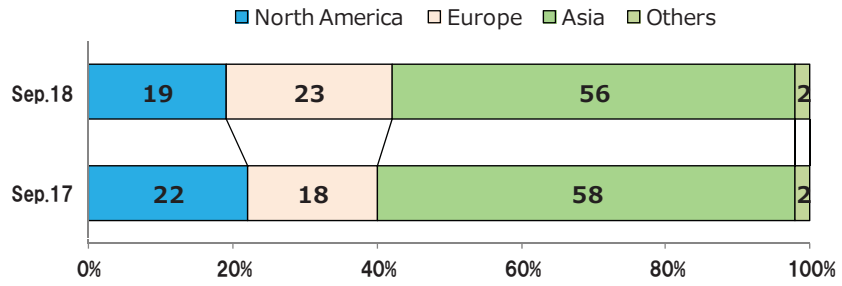
★Results in previous years of sales by prime industrial sector are subject to change retroactively as these sectors may be reviewed and the results corrected at any time.

Export sales(Non-consolidated)

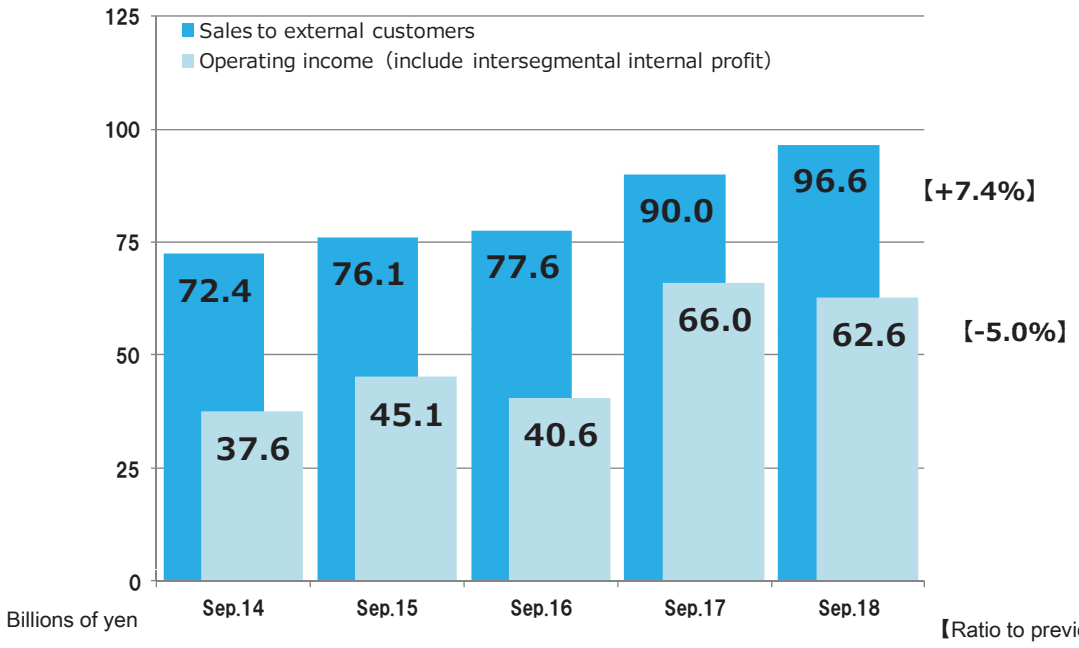
Ratio to previous term

North America	Europe	Asia	Others
-20%	+19%	-4%	+15%

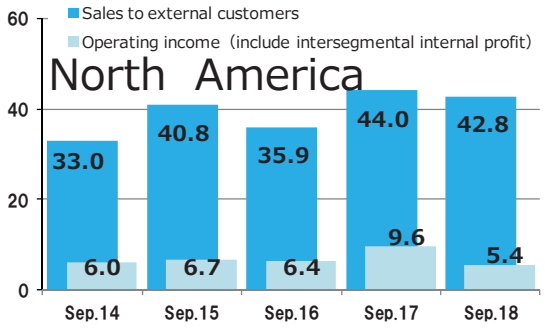
Component ratio per zone

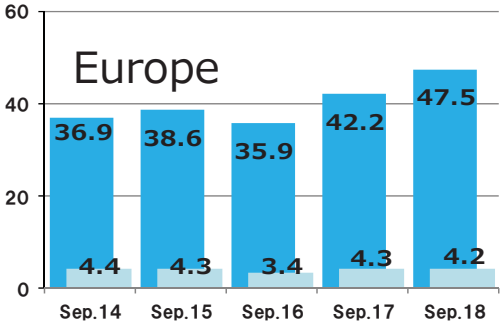


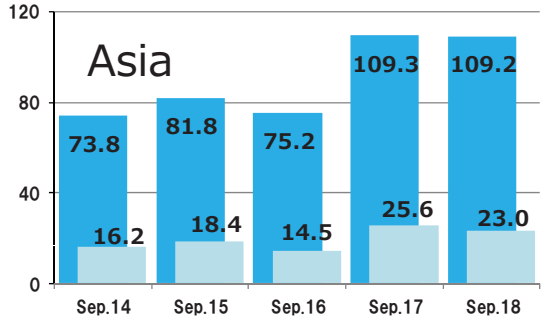
Change in net sales & Operating income - Japan



Change in net sales & Operating income - Overseas





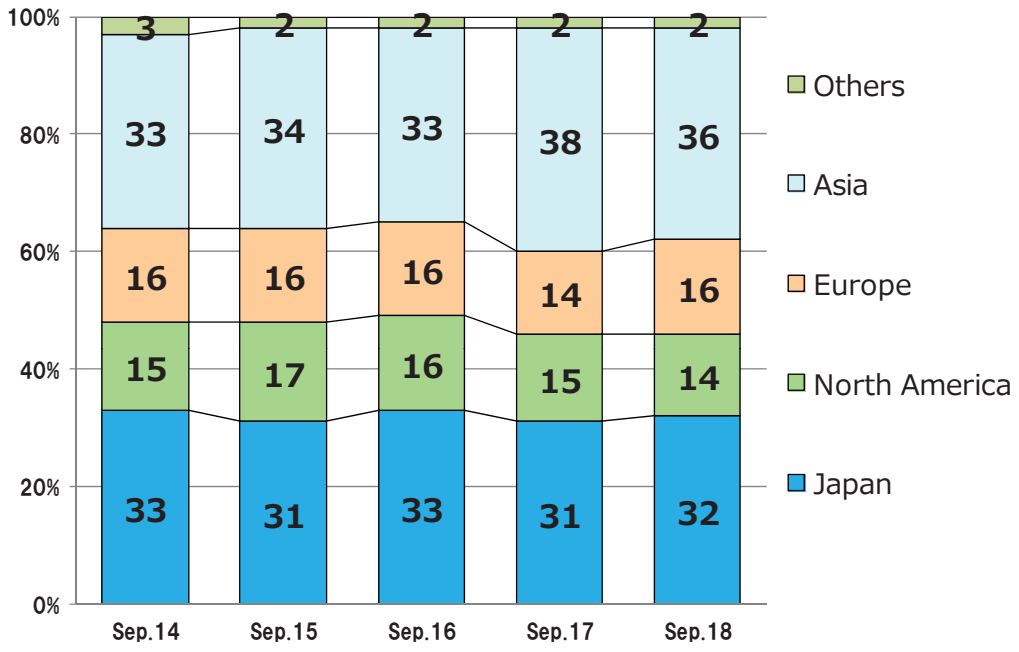


Billions of yen

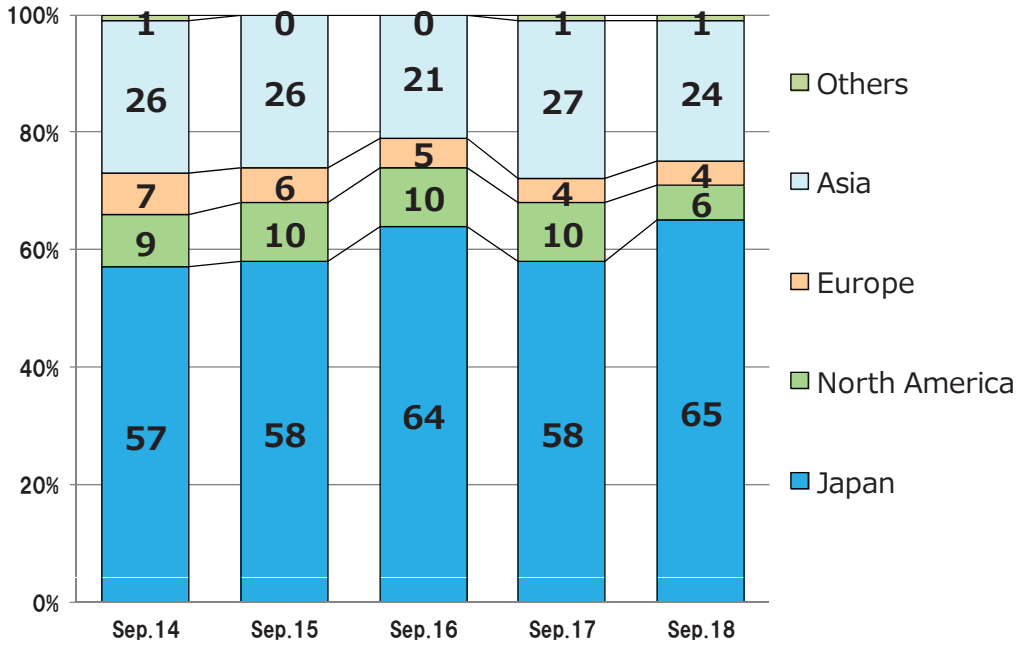
Ratio to previous term

	North America	Europe	Asia
Sales to external customers	-2.7%	+12.6%	-0.1%
Operating income	-43.3%	-1.2%	-9.9%

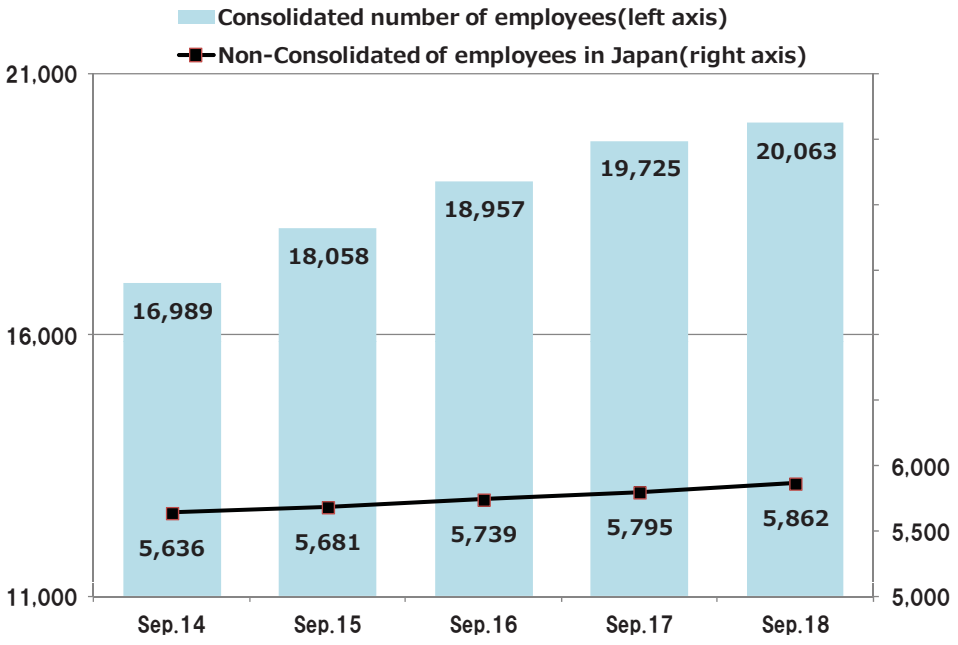
Consolidated net sales -Component ratio per zone



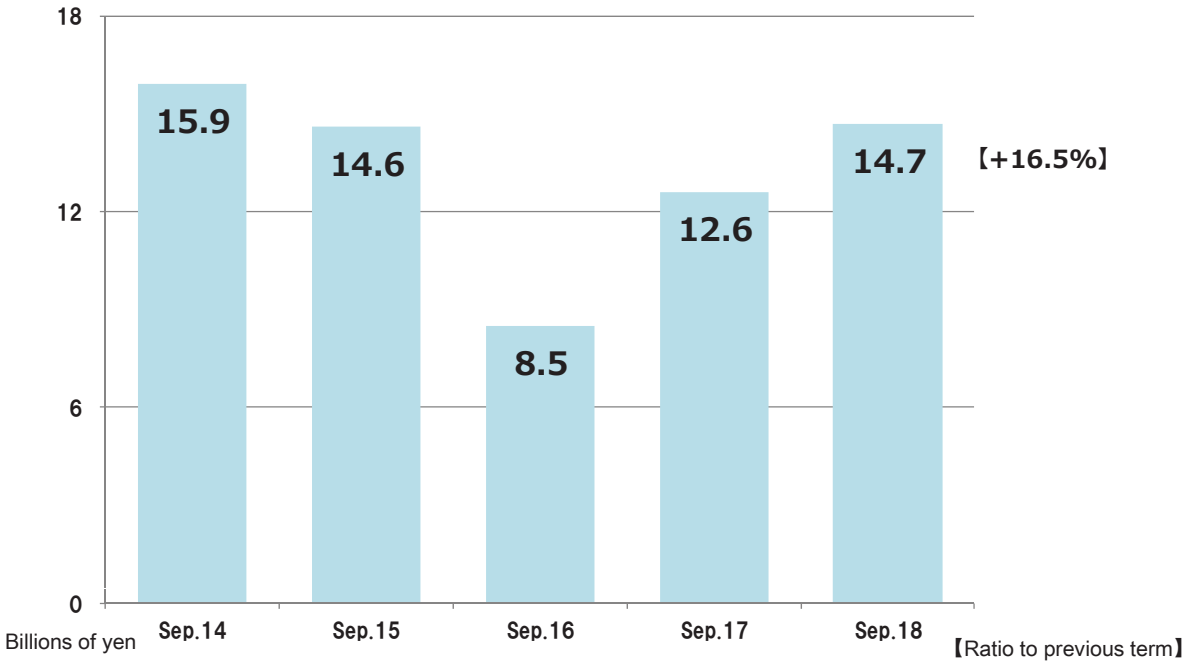
Operating Income
-Component ratio per zone



Number of employees



Capital expenditures



Vietnam Factory construction

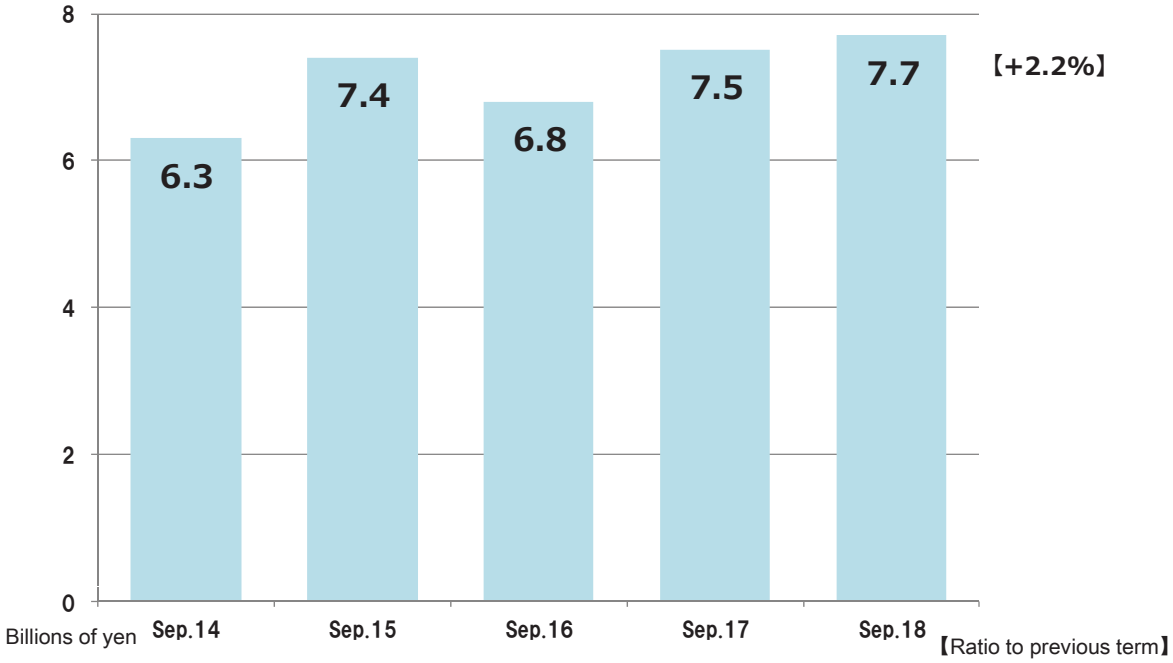


Factory2 (first construction)

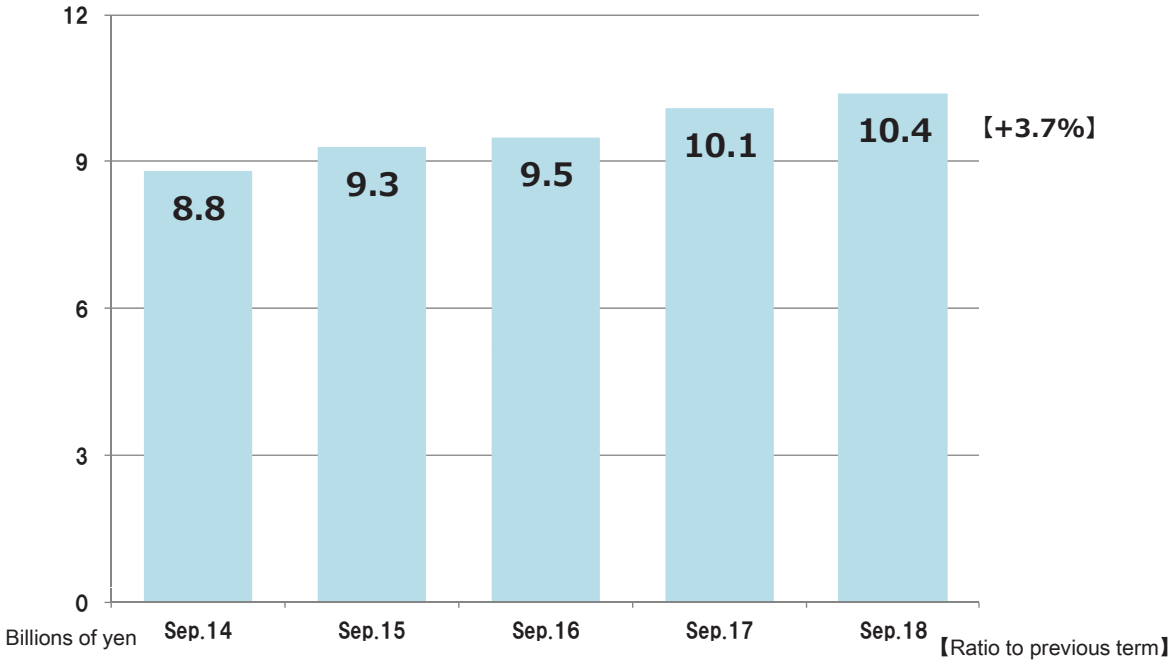


Factory2 (second construction)

Depreciation



Research & development expense



Consolidated financial statements forecast for the year ending March,2019

(Billions of yen)

	Mar.2018 Monetary value	Mar.2019 (Forecast) Monetary value	Ratio to previous term
Net sales	591.0	590.0	-0%
Sales to external customers of domestic	188.2	190.0	+1%
Sales to external customers of overseas	402.8	400.0	-1%
Operating income	192.4	188.0	-2%
Ordinary income	196.8	203.0	+3%
Profit attributable to owners of parent	136.8	140.0	+2%
Average Exchange rate(yen)			
US$	110.85	110.00	-1%
EURO	129.63	130.00	+0%
RMB	16.73	16.50	-1%
Capital expenditures	23.6	40.0	+69%
Depreciation	15.2	16.0	+5%
R&D expense	20.2	21.3	+5%

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.

