Presentation of Financial Results for the Fiscal Year Ended March 31,2020

(Supplemental Material for Consolidated Financial Highlights)

May 19,2020

SMC Corporation

FY19 Financial Results Conference

For the 12 months ended on March 31, 2020

May 19, 2020

SMC Corporation

Katsunori Maruyama, President

FY19 Consolidated Financial Summary

- Orders in all regions has continued decreasing since the previous year! Though orders from the semiconductor has recovered in 19/2H, the orders have been sluggish since the beginning of this year, influenced by COVID-19.
- Net sales and profits decreased YoY mainly due to a continued decrease in demand and production and yen's appreciation since the previous year.
- Net sales decrease: 9%, Operating profit decrease: 19%, Ordinary profit decrease: 20%
- Annual dividend per share is 400 yen. (The term end dividend per share is 200 yen.)

FY19 Consolidated Financial Summary Part 1

	FY2018 Results	FY2019 Plan	FY2019 Results	Growth rate against Plan	year-on-year % change	FOREX rate impact
Net sales	576.9	520.0	526.0	+1%	▲9%	(▲17.1)
(Sales to external customers of overseas)	(388.0)	(355.0)	(362.9)	+2%	▲6%	
Operating profit	180.2	143.0	146.2	+2%	▲19%	(▲10.4)
(Operating margin)	(31.2%)	(27.5%)	(27.8%)			
Ordinary profit	198.2	150.0	158.4	+6%	▲20%	(▲15.6)
Profit attributable to owners of parent	130.6	105.0	110.5	+5%	▲15%	
FOREX Rate(US$)	¥110.92	¥107.00	¥108.71			
(€)	¥128.44	¥119.00	¥120.80			
Capital expenditures(tangible/intangible)	31.9	49.0	38.3	▲22%	+20%	
Depreciation(tangible/intangible)	16.2	16.2	16.6	+3%	+3%	
R&D expenses	21.3	22.0	21.4	▲2%	+1%	

(Unit: Billions of yen)

The annual dividend per share	400 yen		400 yen

FY19 Consolidated Financial Summary Part 2

	FY2018 Results	FY2019 Results	year-on-year % change	Change	Change excluding effecs of FOREX rates
Net assets	1,243.2	1,253.2	+1%	+10.0	(+63.0)
Current assets	967.9	964.5	▲0%	▲3.4	(+47.3)
(of which: Inventories)	(230.2)	(232.5)	(+1%)	(+ 2.3)	(+11.9)
Non-current assets	421.3	425.9	+1%	+4.6	(+14.0)
Equity ratio	89.3%	89.9%		+0.6%	+0.5%
Net assets per share	18,447 yen	18,794 yen	+2%	+347 yen	(+1,144 yen)
Term end FOREX rate(US$)	¥111.01	¥108.83			
(€)	¥124.56	¥119.65			

(Unit: Billions of yen)

SMC Market Share Trend (SMC Estimation)

◆ Point: While the demand for the semiconductor production equipment has recovered, the demand for the portable terminals has been sluggish. The market share in each region has come to a standstill.

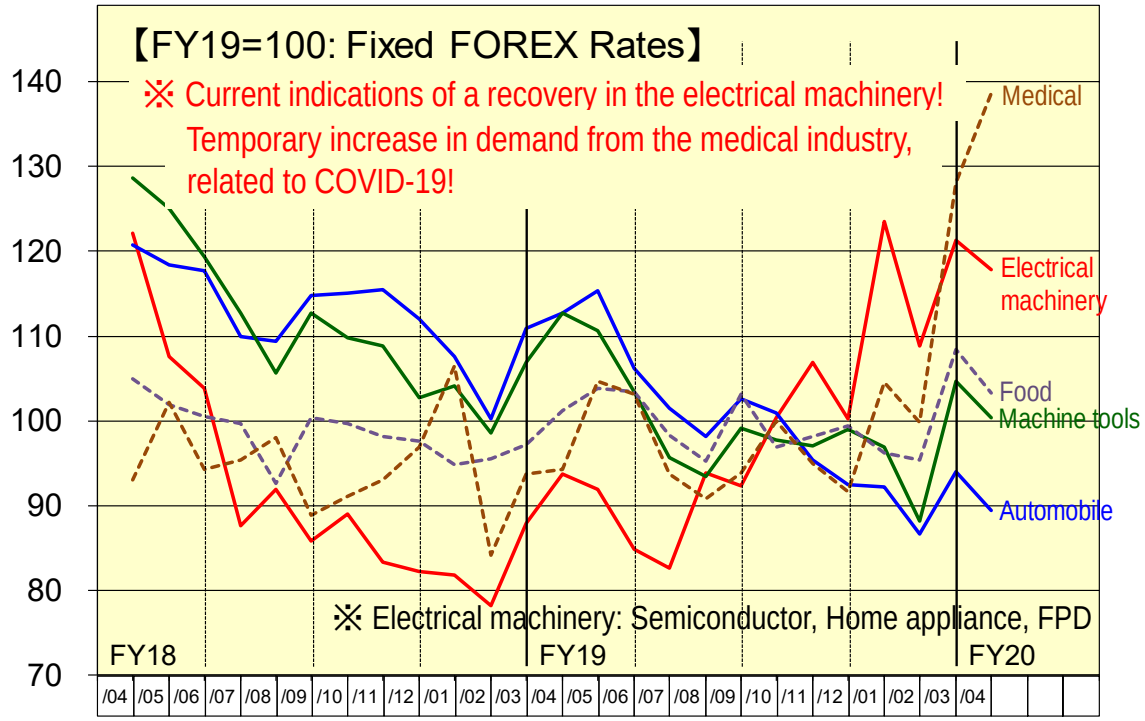
	'15	'16	'17	'18	'19
Rate(¥/$)	(120.14)	(108.38)	(110.85)	(110.92)	(108.71)
Japan	65	65	65	65	65
North America	23	24	25	26	26
Europe	20	20	21	22	22
Asia/Oceania	46	47	48	47	47
Global Total	34	35	36	37	37
Global Total(¥/$:108.71)	34	35	37	37	37

Current Order Situation (FY19=100)

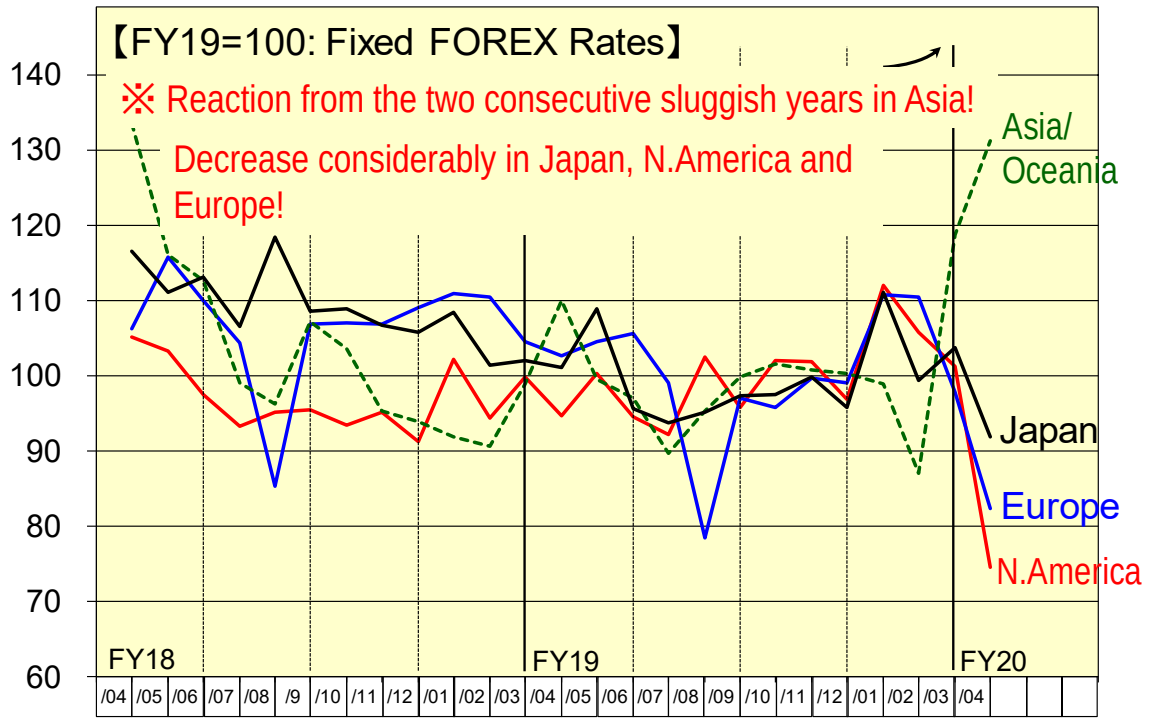
【Fixed FOREX Rates】

		FY19	'19/3Q	'19/4Q	'20/04	'20/04 situation
Consolidated	Electrical machinery	100	102	118	118	Increasing tendency in Korea and China
	Automobile	100	96	91	89	Increasing tendency in China, however, decrease in other regions
	Machine tools	100	98	97	100	Increasing tendency in China, however, decrease in other regions
	Food	100	98	100	103	Flatten in Japan, increasing tendency in China
	Medical	100	96	111	139	Increasing tendency in the UK and China
	Other	100	100	100	84	
Japan		100	98	105	92	Firm tone in semiconductor WFE, however, decrease in other industries
North America		100	100	106	75	Decrease in all industries mainly in the electrical machinery and the automobile industry
Europe		100	98	106	82	Firm tone in the medical related industry, however, decrease in other industries
Asia & Oceania		100	101	102	131	Increase in East Asia, however, decrease in Southeast Asia
Consolidated		100	100	104	103	

Consolidated Orders Trend By Industry (FY19=100)



Consolidated Orders Trend By Region (FY19=100)



Pneumatic Demand Environment

Against the background of conflict between the US and China and COVID-19, industrial structure has reached the “turn” on a global basis, involving uncertain factors.

We will not dismiss the essence of “manufacturing” and make much of marketing in all departments such as the production, sales, engineering department and so on. We will grasp indications of changes in the market and prepare for them with accuracy.

【Points to note】

【1】The global basis competition has become pluralistic.
The structural change in the supply chain and the market after COVID-19 will be settled

【2】The current toward IoT, Smart Factories, Cloud Computing
The flash storage, 5G communication technology revolution

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

Focused Measures in FY20

【1】Accelerate establishing production bases in the stable regions and reinforcing the global supply chain (Vietnam, Tianjin…)

【2】Reinforce sales activities mainly in the huge Asian markets

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

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

【5】Prepare for a sudden change in a material procurement situation

Premises for FY20 Financial Forecasts

【1】The demand from semiconductor related industry seem to recover currently, however, it doesn't lead to increasing the whole demand. Though the time of COVID-19 being settled and its impact is unforeseeable, we assume it will have an impact on the Lehman Shock level!

【2】We assume the FY20 full year FOREX rate to be (JPY/USD=106, JPY/EUR=116), expecting the yen will be stronger than that in the previous year.



FY20 Financial Forecasts

	FY2018	FY2019		FY2020		
	Results	Results	year-on-year % change	Forecasts	year-on-year % change	FOREX rate impact
Net sales (Sales to external customers of overseas)	576.9 (388.0)	526.0 (362.9)	▲9% ▲6%	450.0 (310.0)	▲14% ▲15%	(▲18.0)
Operating profit (Operating margin)	180.2 (31.2%)	146.2 (27.8%)	▲19%	92.0 (20.4%)	▲37%	(▲9.5)
Ordinary profit	198.2	158.4	▲20%	100.0	▲37%	(▲6.8)
Profit attributable to owners of parent	130.6	110.5	▲15%	72.0	▲35%	
FOREX Rate(US$) (€)	¥110.92 ¥128.44	¥108.71 ¥120.80		¥106.00 ¥116.00		
Capital expenditures(tangible/intangible)	31.9	38.3	+20%	40.0	+4%	
Depreciation(tangible/intangible)	16.2	16.6	+3%	18.8	+13%	
R&D expenses	21.3	21.4	+1%	22.0	+2%	

(Unit: Billions of yen)

The annual dividend per share	400 yen	400 yen				

Summary

【1】The global business environment has been changing considerably. 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.

- 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, R&D 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, strengthening 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 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.

Presentation of Financial Results for the Fiscal Year Ended March 31, 2020

SMC Corporation

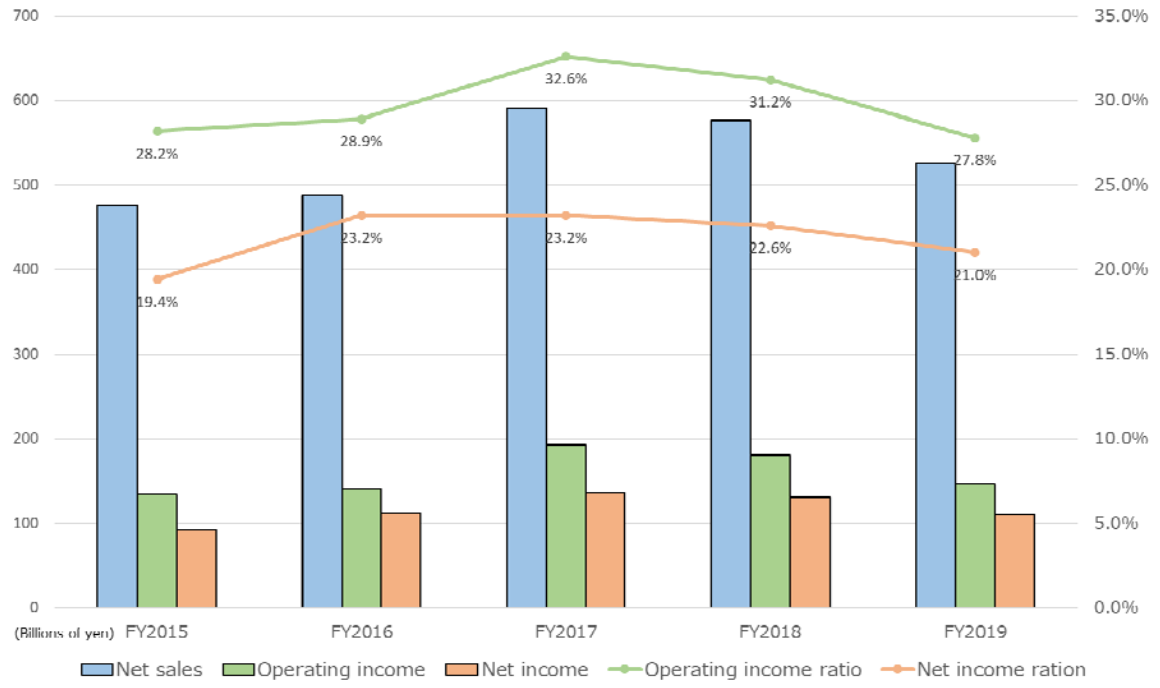
Masahiro Ota,
Director and Executive Officer
Head of Finance & Accounting Division
May 19, 2020

Consolidated Statement of Income

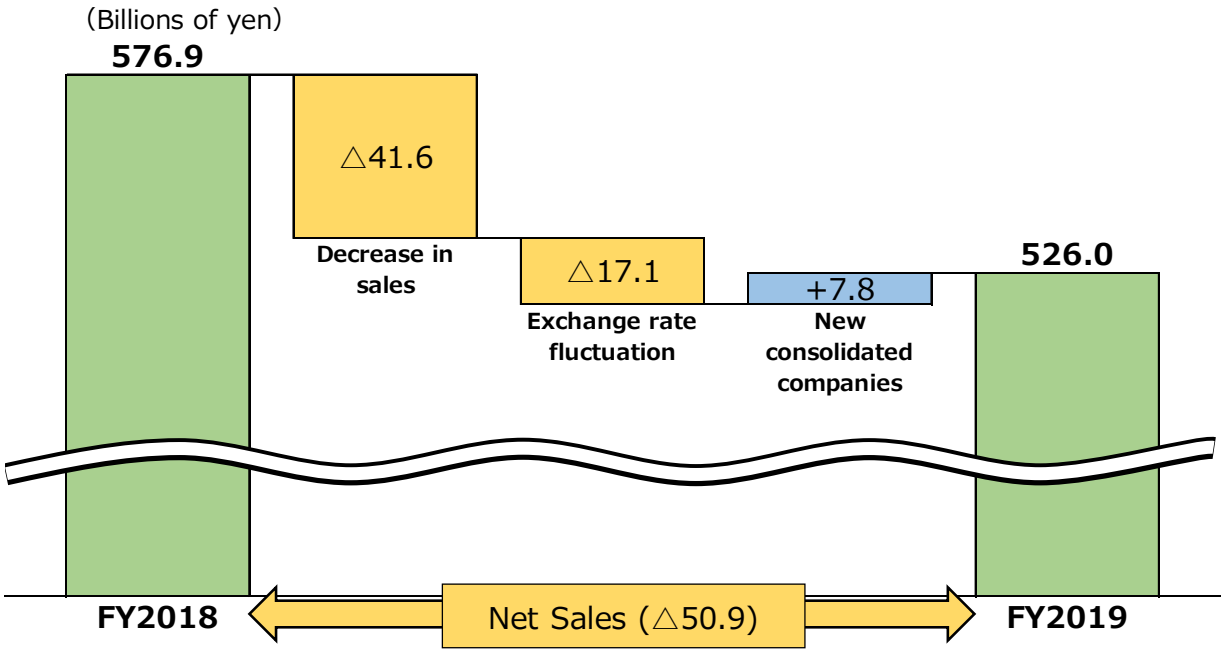
(Billions of yen)

	FY2015		FY2016		FY2017		FY2018		FY2019	
	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales
Net sales	475.6		487.6		591.0		576.9		526.0	
Cost of sales	238.2	50.1%	244.4	50.1%	286.3	48.5%	280.1	48.5%	266.1	50.6%
Gross profit	237.3	49.9%	243.1	49.9%	304.6	51.5%	296.8	51.5%	259.8	49.4%
Selling, general & administrative expenses	103.1	21.7%	102.0	21.0%	112.2	18.9%	116.6	20.2%	113.5	21.6%
Operating income	134.2	28.2%	141.1	28.9%	192.4	32.6%	180.2	31.2%	146.2	27.8%
Ordinary income	129.1	27.2%	148.2	30.4%	196.8	33.3%	198.2	34.4%	158.4	30.1%
Net income	92.1	19.4%	113.0	23.2%	136.8	23.2%	130.6	22.6%	110.5	21.0%
Exchange rate (yen)										
USD	120.14		108.38		110.85		110.92		108.71	
EUR	132.59		118.79		129.63		128.44		120.80	

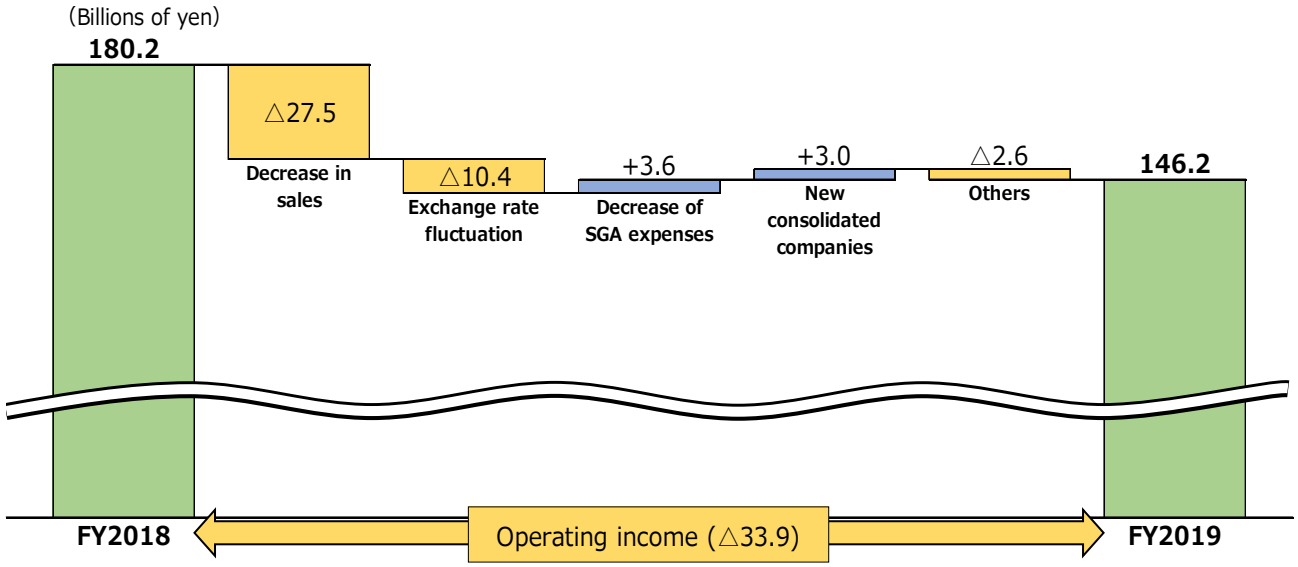
Consolidated Statement of Income



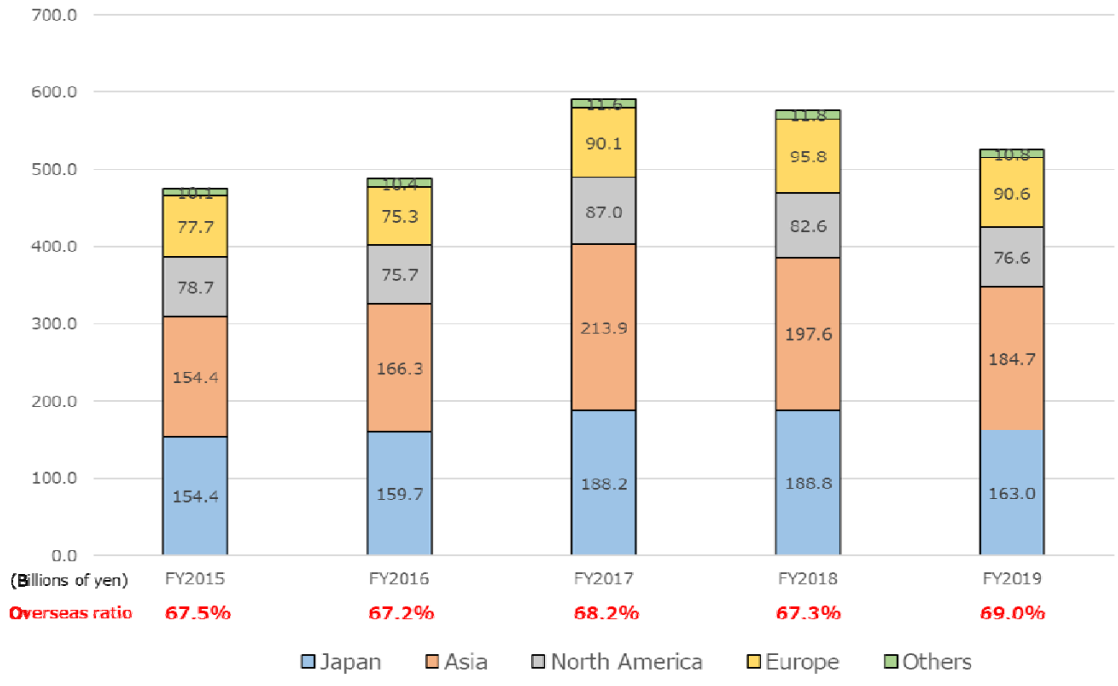
[FY19 vs. FY18]
Factors on Change of Net Sales



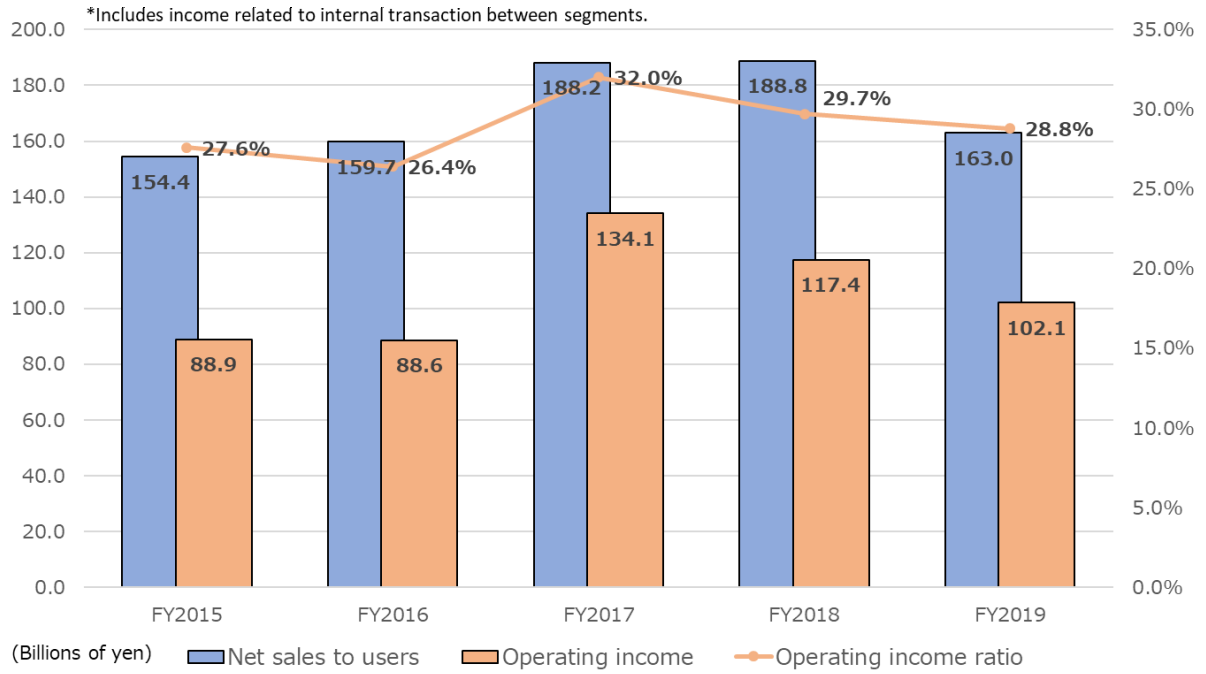
[FY19 vs. FY18]
Factors on Change of Operating Income



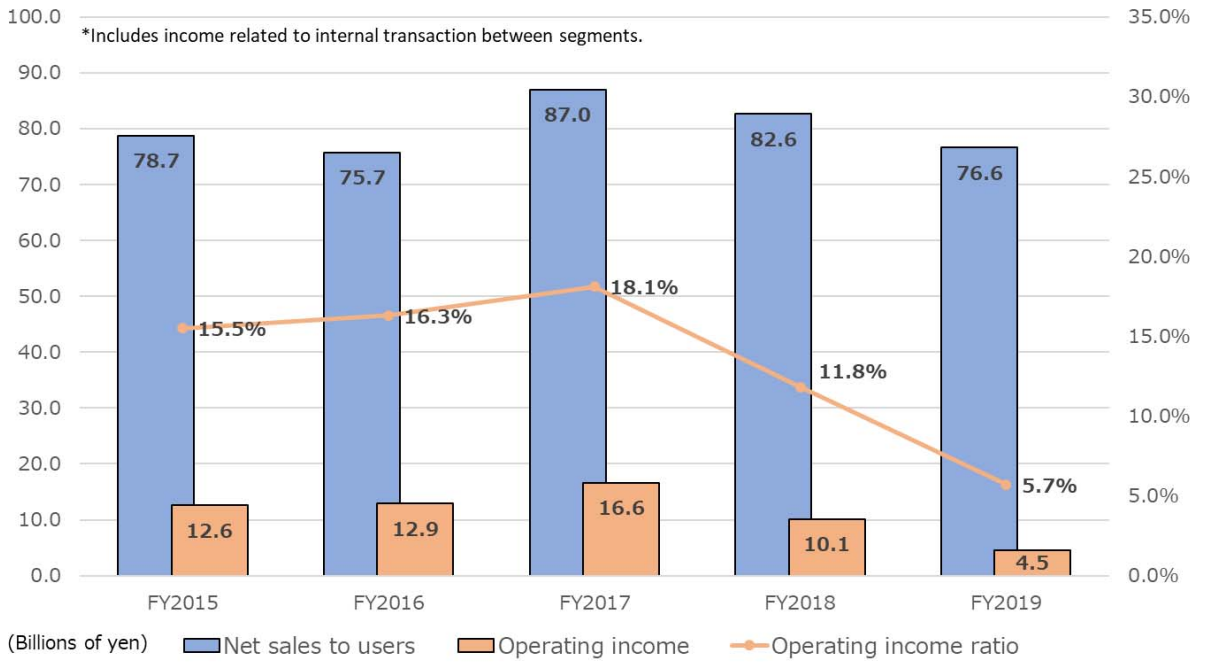
Consolidated Net Sales by Location



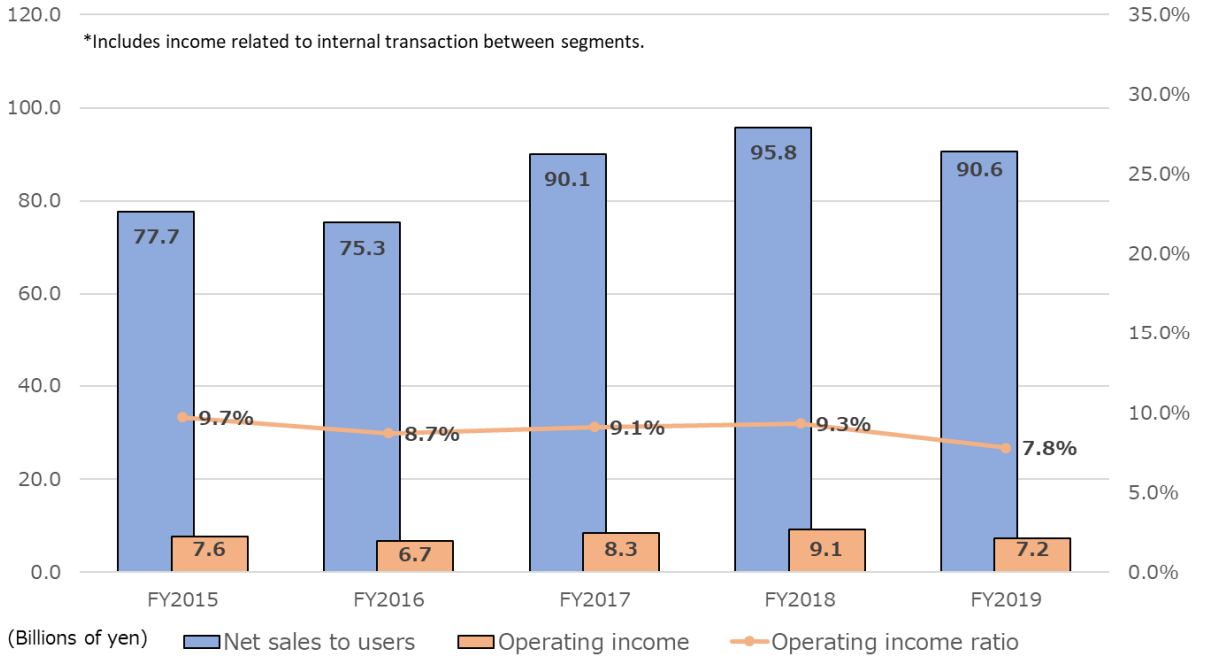
Net Sales & Operating Income (Japan)



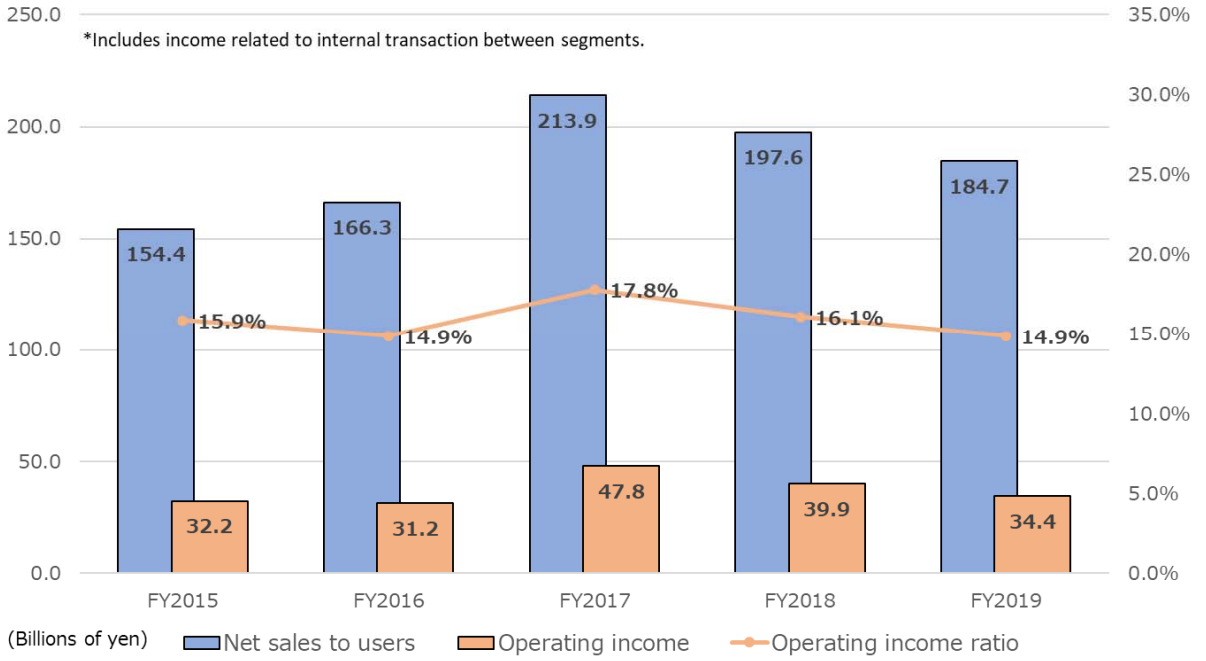
Net Sales & Operating Income (North America)



Net Sales & Operating Income (Europe)



Net Sales & Operating Income (Asia)



Consolidated Balance Sheet

(Billions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019
Assets	1,120.1	1,192.4	1,360.8	1,389.3	1,390.5
Current assets	747.1	835.9	964.0	967.9	964.5
(cash on hand and deposits)	(412.7)	(459.8)	(506.4)	(519.6)	(548.3)
(securities)	-	(22.4)	(37.0)	(31.9)	(12.4)
(inventories)	(182.5)	(179.1)	(205.6)	(230.2)	(232.5)
Fixed assets	373.0	356.5	396.7	421.3	425.9
(investment securities)	(28.1)	(35.5)	(76.6)	(76.5)	(59.8)
(refundable insurance payments)	(118.9)	(122.9)	(126.8)	(132.9)	(139.2)
Liabilities	178.3	162.0	210.4	146.0	137.2
Current liabilities	150.2	129.4	173.1	117.6	94.3
Fixed liabilities	28.1	32.6	37.3	28.3	42.9
Net assets	941.8	1,030.3	1,150.4	1,243.2	1,253.2
Capital adequacy ratio	83.8%	86.1%	84.3%	89.3%	89.9%
Exchange rate (yen)					
USD	112.69	112.20	106.27	111.01	108.83
EUR	127.57	119.78	130.58	124.56	119.65

Consolidated Balance Sheet FY19 Summary

(Billions of yen)

Cash on hand and Deposit	**548.3**	Financial debt	**11.5**	
Securities Investment securities Refundable insurance payments	12.4 59.8 139.2 **211.5**	Equity capital (Capital adequacy ratio89.9%)	**1,250.1**	
Inventories	**232.5**			
Other current assets	**171.2**			
Other fixed assets	**226.8**	Other liabilities and Non-controlling interests	**128.8**	

Inventory

(Billions of Yen)

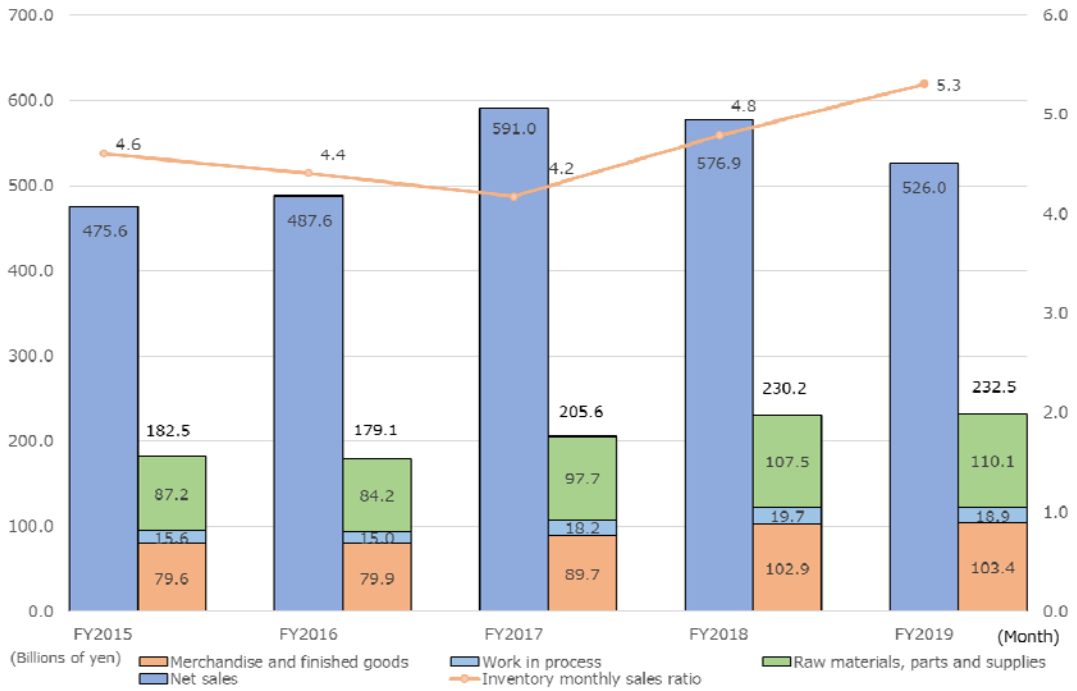
	FY2015	FY2016	FY2017	FY2018	FY2019	vs.FY18
Total inventory	182.5	179.1	205.6	230.2	232.5	2.2
Merchandise and finished goods	79.6	79.9	89.7	102.9	103.4	0.5
Work in process	15.6	15.0	18.2	19.7	18.9	-0.8
Raw materials, parts and supplies	87.2	84.2	97.7	107.5	110.1	2.6

Impact due to new consolidated companies	1.8
Impact due to exchange rate fluctuation	-7.7
Impact due to inventory devaluation	-5.6
Total change	**13.7**

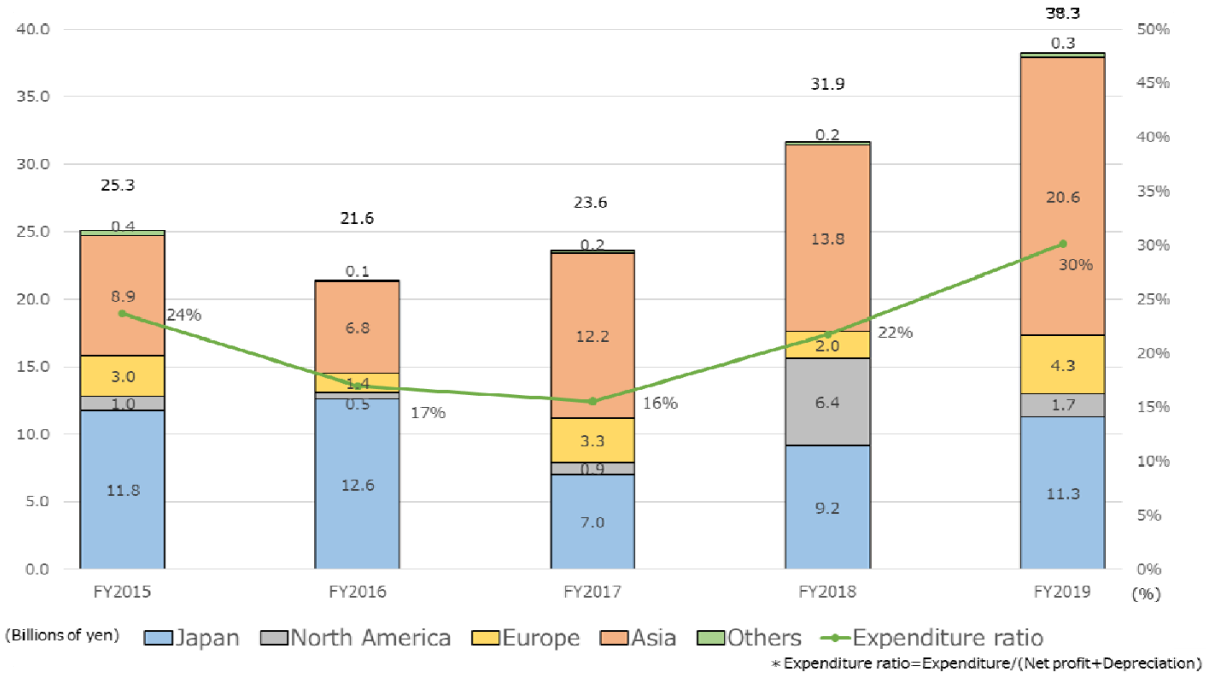
Exchange rate of quarter end (yen)

USD	112.69	112.2	106.27	111.01	108.83
EUR	127.57	119.78	130.58	124.56	119.65

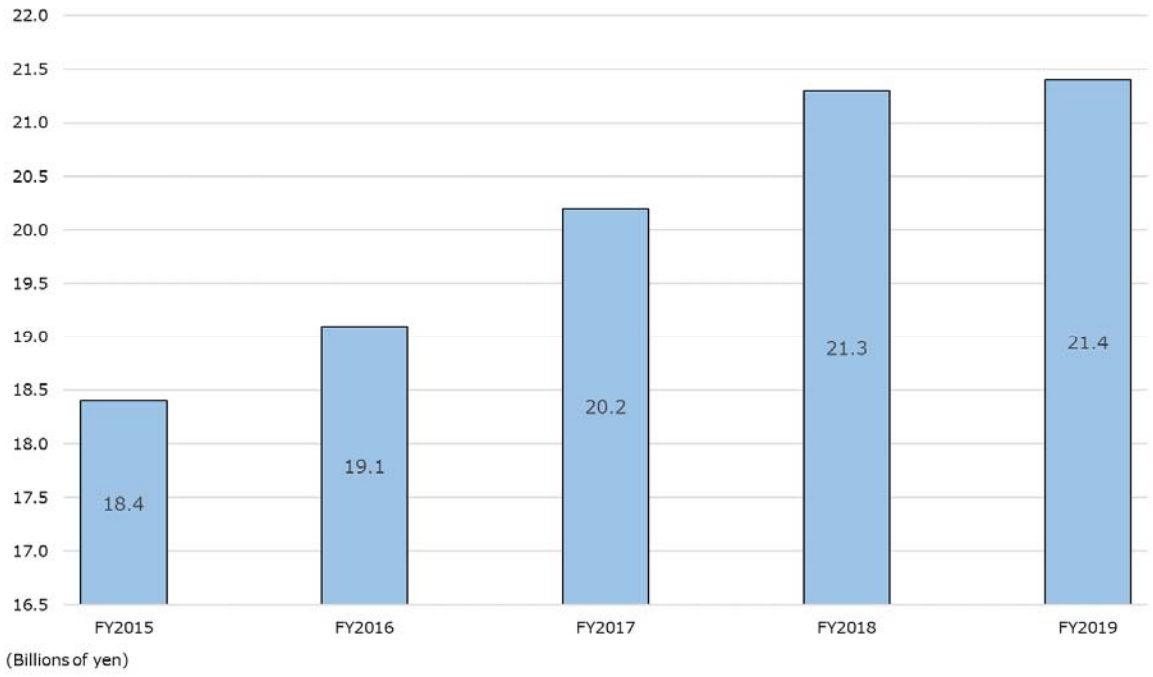
Inventory



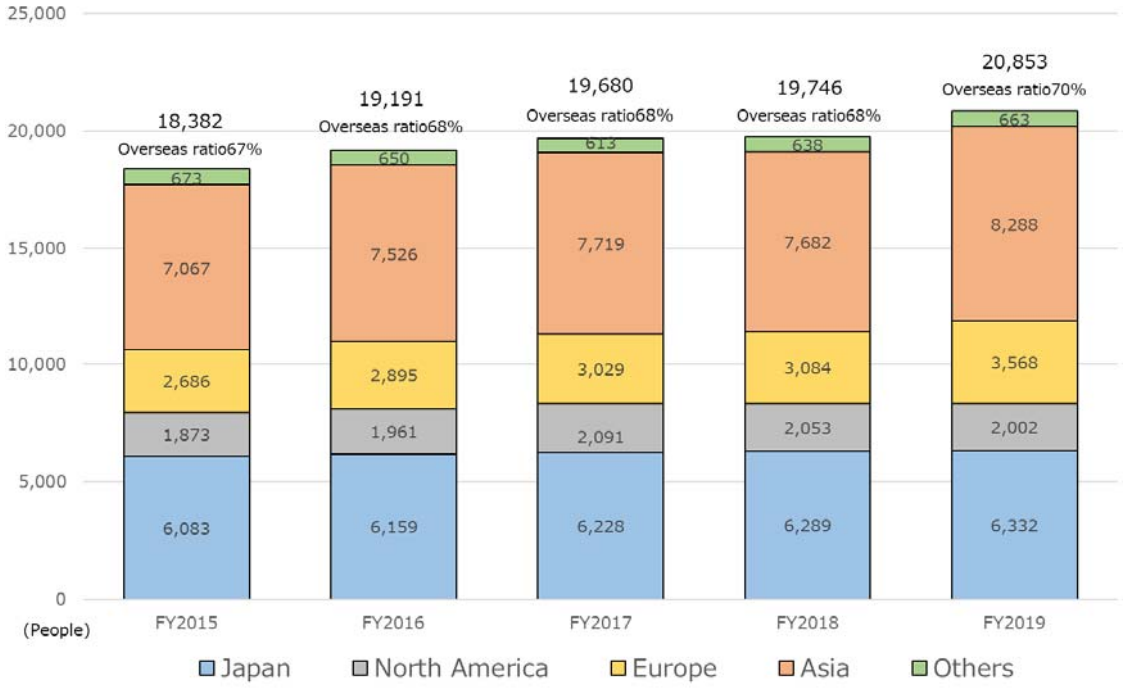
Capital Expenditure



Research & Development Expense



Number of Employees

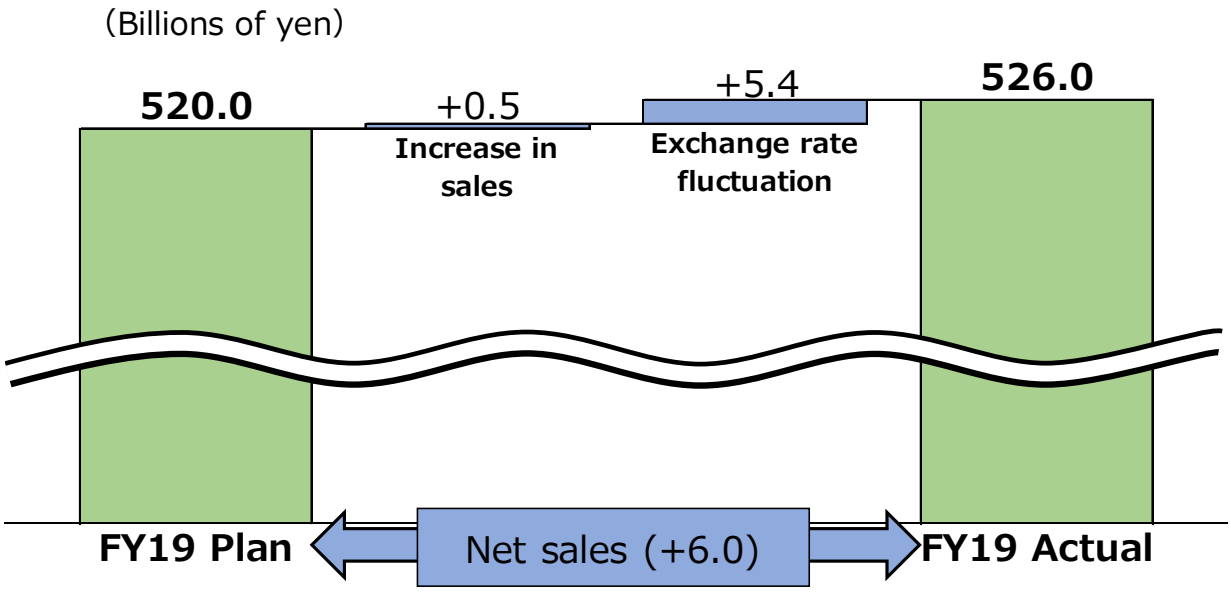


[Reference] FY19 Plan vs. Actual

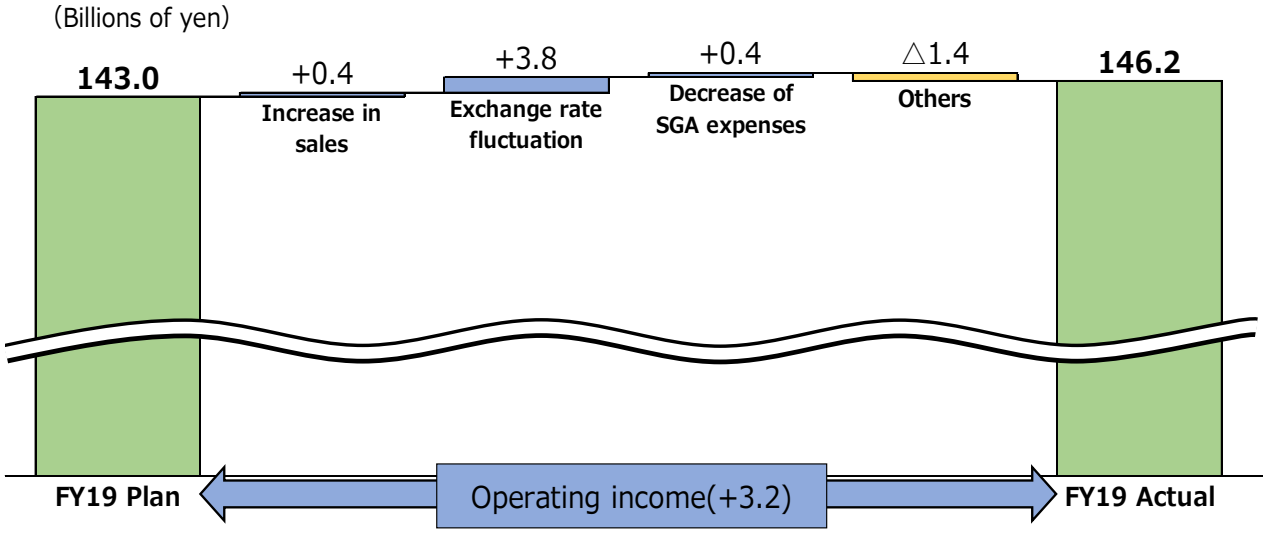
(Billions of yen)

	FY19 Plan Amount	vs net sales	FY19 Actual Amount	vs net sales	vs. Plan Amount	vs net sales
Net sales	520.0		526.0		6.0	1.2%
Operating income	143.0	27.5%	146.2	27.8%	3.2	2.2%
Ordinary income	150.0	28.8%	158.4	30.1%	8.4	5.6%
Net income	105.0	20.2%	110.5	21.0%	5.5	5.2%
Exchange rate (yen)						
USD	107.00		108.71		1.6%weak yen	
EUR	119.00		120.80		1.5%weak yen	
CNY	15.30		15.59		1.9%weak yen	
KRW	0.0900		0.0919		2.1%weak yen	

[Reference]
FY19 Plan vs. Actual
Factors on Change of Net Sales



[Reference]
FY19 Plan vs. Actual
Factors on Change of Operating Income

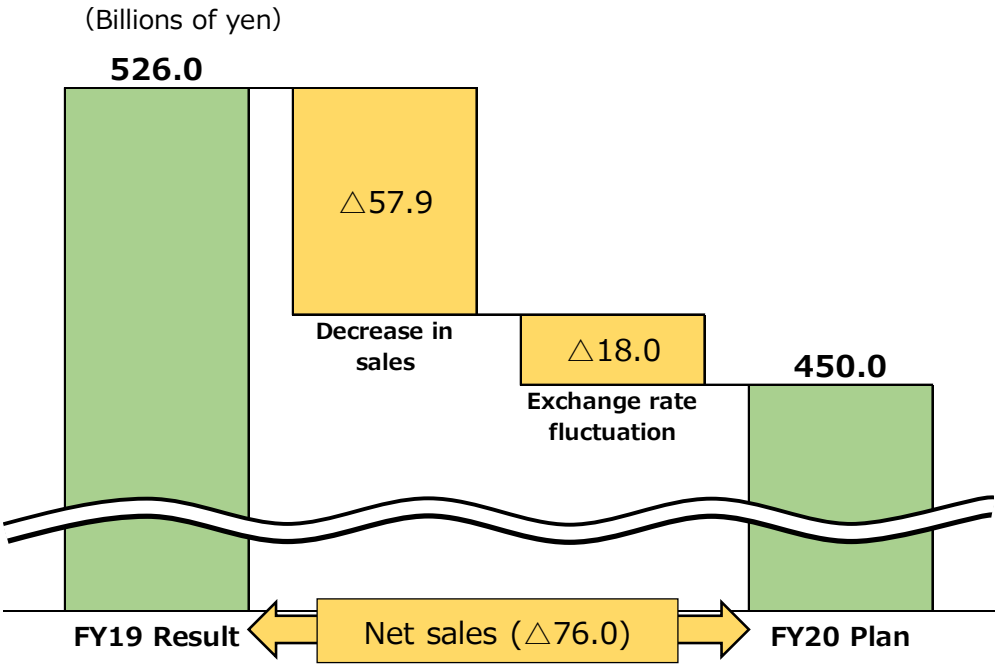


FY20 Plan vs. FY19 Result

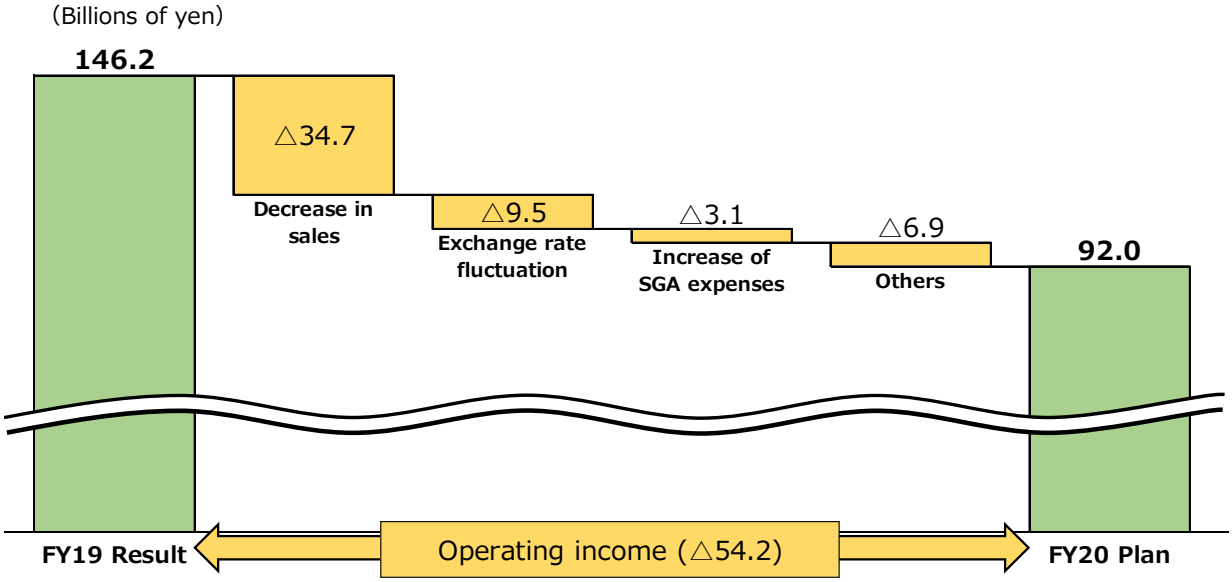
(Billion of yen)

	FY19 result Amount	vs net sales	FY20 plan Amount	vs net sales	vs. FY19 Amount	vs net sales
Net sales	526.0		450.0		-76.0	-14.4%
Operating income	146.2	27.8%	92.0	20.4%	-54.2	-37.1%
Ordinary income	158.4	30.1%	100.0	22.2%	-58.4	-36.9%
Net income	110.5	21.0%	72.0	16.0%	-38.5	-34.8%
Exchange rate (yen)						
USD	108.71		106.00		2.5%strong yen	
EUR	120.80		116.00		4.0%strong yen	
CNY	15.59		15.00		3.8%strong yen	
KRW	0.0919		0.0860		6.4%strong yen	
Number of people	20,853		22,700		1,847	8.9%
Capital expenditure	38.3 B yen		40.0 B yen		1.7 B yen	4.4%
R&D expense	21.4 B yen		22.0 B yen		0.6 B yen	2.8%

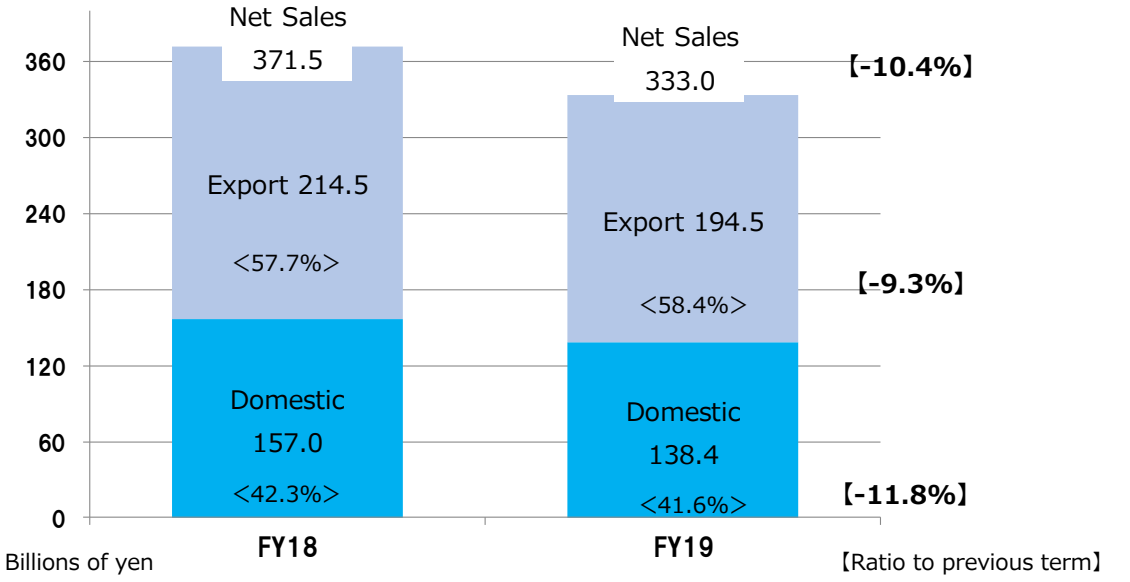
FY20 Plan vs. FY19 Result
Factors on Change of Net Sales



FY20 Plan vs. FY19 Result
Factors on Change of Operating Income



[Reference]
Net Sales (Non-Consolidated)

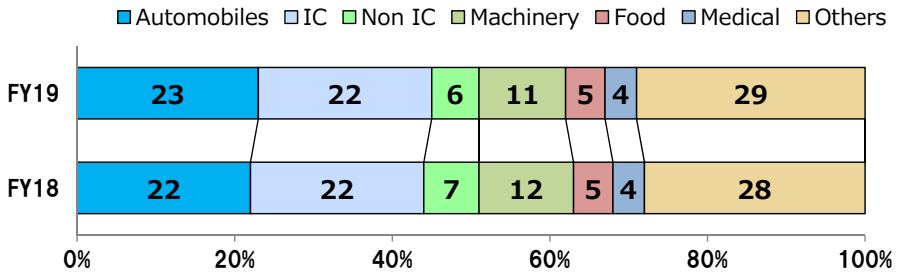


[Reference]
Domestic Sales (Non-consolidated)

Ratio to previous Term

Automobiles	IC	Non IC	Machinery	Food	Medical	Others
-13%	-15%	-16%	-18%	-8%	-6%	-6%

Component Ratio Per Industry



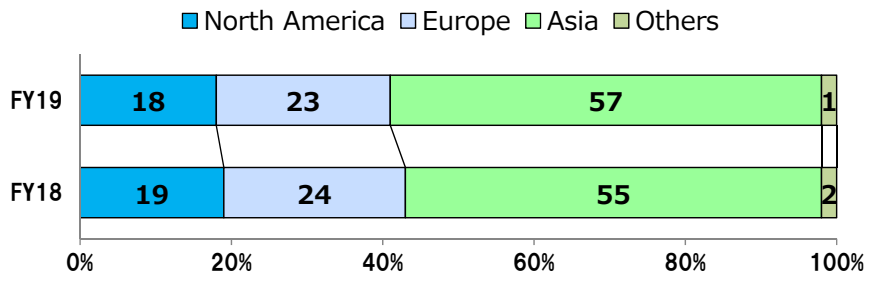
★Results in previous years of sales by prime industrial sector are subject to change retroactively as these sectors may be reviewed and the results corrected at any time.

[Reference]
Export Sales (Non-Consolidated)

Ratio to previous Term

North America	Europe	Asia	Others
-13%	-15%	-6%	-10%

Component Ratio Per Industry



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.

Thank you for your time and attention.