

**Presentation of Financial Results
for the Second Quarter ended
September 30,2020 (FY2020)**

(Supplemental Material for Consolidated
Financial Highlights)

November 17,2020

SMC Corporation

FY20 1st Half Financial Results Conference

For the 6 months ended on September 30, 2020

November 17, 2020

SMC Corporation

Katsunori Maruyama, President

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FY20 1st Half Consolidated Financial Summary

★ COVID-19 has constrained business activities.

- Orders decreased mainly in Japan, North America and Europe. Orders from the semiconductor production equipment decreased, hitting the peak at the end of the FY19. Orders as a whole were inactive but steady.
- Production has been operated without any interruption.
- Net sales and profit decreased YoY due to a decrease in demand and production.
- Net sales decrease: 5%, Operating profit decrease: 11%, Ordinary profit decrease: 6%
- The interim dividend per share is 200 yen.

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FY20 1st Half Consolidated Financial Summary Part 1

	FY2019 1st Half	FY2020 1st Half	FY2020 1st Half			
	Results	Original Forecasts	Results	Growth rate against Plan	year-on-year % change	FOREX rate impact
Net sales (Sales to external customers of overseas)	264.4 (182.3)	225.0 (155.0)	251.9 (178.5)	+12%	▲5%	(▲5.4)
Operating profit (Operating margin)	73.4 (27.8%)	46.0 (20.4%)	65.0 (25.8%)	+41%	▲11%	(▲4.8)
Ordinary profit	72.9	50.0	68.2	+37%	▲6%	(+0.8)
Profit attributable to owners of parent	53.6	36.0	46.2	+29%	▲14%	
FOREX Rate(US\$)	¥108.60	¥106.00	¥106.92			
(€)	¥121.40	¥116.00	¥121.32			
Capital expenditures(tangible/intangible)	20.9	18.9	11.2	▲41%	▲46%	
Depreciation(tangible/intangible)	7.9	9.4	8.9	▲5%	+13%	
R&D expenses	10.9	11.0	10.1	▲7%	▲7%	
(Unit: Billions of yen)						
The interim dividend per share	200 yen		200 yen			

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FY20 1st Half Consolidated Financial Summary Part 2

	FY2019 1st Half	FY2019	FY2020 1st Half			
	Results	Results	Results	year-on-year % change	Change	Change excluding effects of FOREX rates
Net assets	1,220.6	1,253.2	1,296.0	+3%	+42.8	(+35.1)
Current assets (of which: Inventories)	918.7 (227.6)	964.5 (232.5)	1,000.9 (242.2)	+4% (+4%)	+36.4 +9.7	(+28.3) (+ 8.5)
Non-current assets	431.7	425.9	436.2	+2%	+10.3	(+ 9.4)
Equity ratio	90.1%	89.9%	90.0%		+0.1%	+0.1%
Net assets per share	18,300 yen	18,794 yen	19,439 yen	+3%	+645 yen	(+530 yen)
Term end FOREX rate(US\$)	¥107.96	¥108.83	¥105.81			
(€)	¥118.04	¥119.65	¥124.16			

(Unit: Billions of yen)

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SMC Market Share Trend (SMC Estimates)

- ◆ Point: The demand for the semiconductor production equipment and the medical related equipment increased in 20/1Q. However, the market share in each region has come to a standstill.

	FY17	FY18	FY19	'20/1Q ※
Rate(¥/\$)	(110.85)	(110.92)	(108.71)	(108.71)
Japan	65	65	65	65
North America	25	26	26	27
Europe	21	22	22	22
Asia/Oceania	48	47	47	47
Global Total	36	37	37	37
Global Total(¥/\$:108.71)	37	37	37	37

※ 20/1Q values are our estimates. Source: JFPA, NFPA, VDMA

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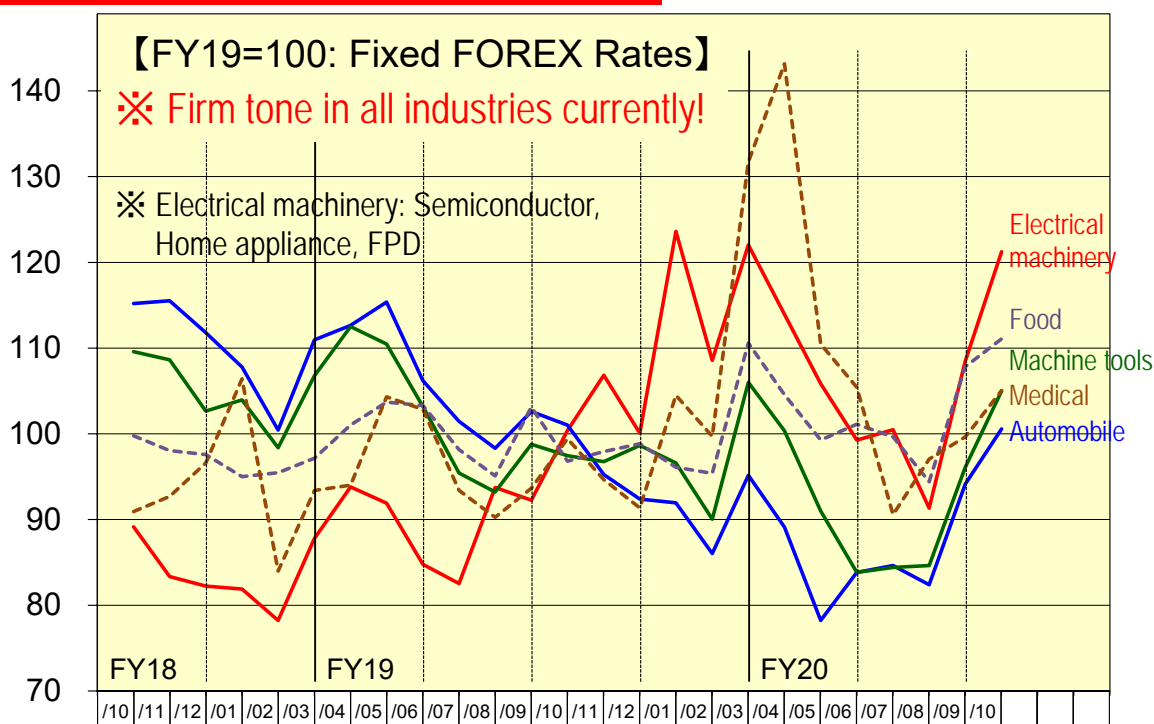
Current Order Situation (FY19=100)

【Fixed FOREX Rates】

		FY20	'20/1Q	'20/2Q	'20/10	'20/10 situation
Consolidated	Electrical machinery	106	106	101	123	Increasing tendency in Japan, Korea and China
	Automobile	88	84	87	101	Increasing tendency in Japan, the US and China
	Machine tools	92	92	89	106	Increasing tendency in the US and China
	Food	103	102	101	112	Firm tone in all regions
	Medical	107	120	96	106	Firm tone in Japan and China
	Other	88	81	91	102	
Japan		85	86	83	90	Firm tone in the electrical machinery and the automobile industry
North America		87	77	91	104	Increasing tendency in the electrical machinery and the automobile industry
Europe		88	83	87	104	Firm tone in the semiconductor related and the medical related industry
Asia & Oceania		109	111	103	123	Increasing tendency in East Asia and Southeast Asia
Consolidated		94	93	92	106	

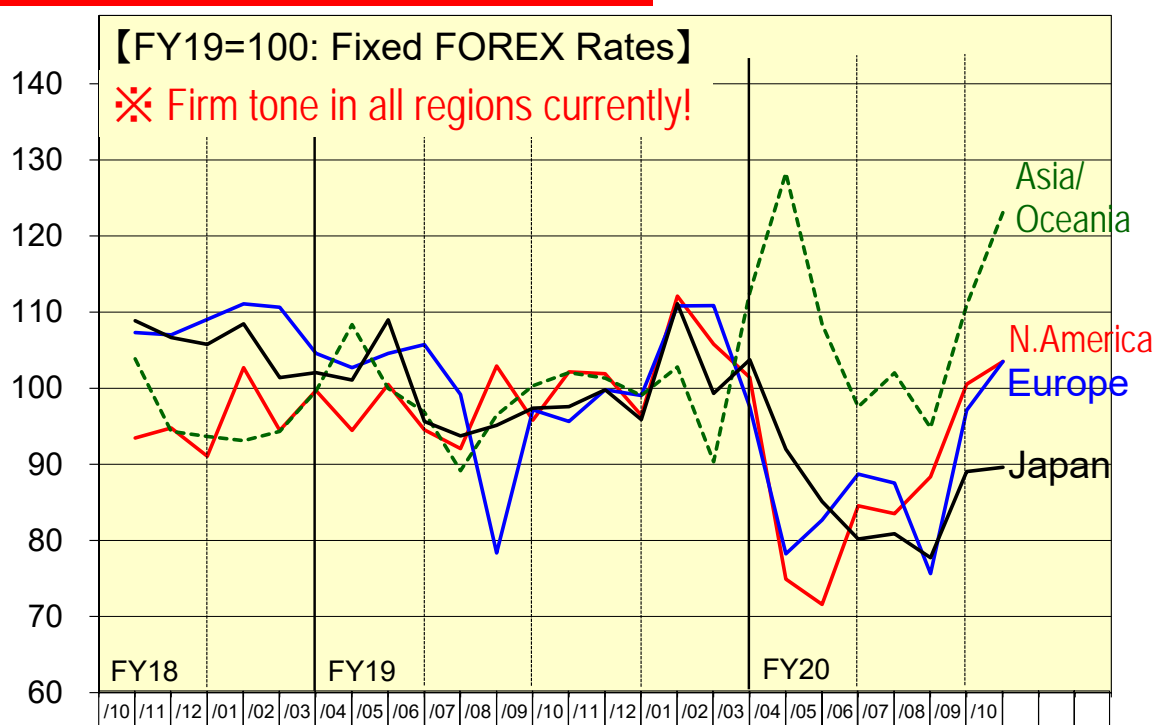
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Consolidated Orders Trend By Industry (FY19=100)



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Consolidated Orders Trend By Region (FY19=100)



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Pneumatic Demand Environment

Accompanied by conflict between the US and China, the evolving IT and the ongoing COVID-19 pandemic, the industrial structure and the business form has reached the "turn" on a global basis, involving uncertain factors.

We expect a continuous growth in the demand for pneumatic products as a key device for the factory automation. We will not dismiss the mission 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.

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Points to note

★ Prepare for the post COVID-19 pandemic era

- 【1】 The global basis competition has become pluralistic.
 - The new production bases are established.
 - The new markets and distribution types are diversified.
- 【2】 The current toward IoT, Smart Factories, Cloud Computing
 - The flash storage, 5G communication technology revolution
- 【3】 The demand for the environment friendly products toward a carbon-free society
 - The current toward Electric Vehicles
 - Energy-saving, resource-saving, space-saving products

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Focused Measures in the FY20 2nd Half

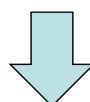
- 【1】 From the viewpoint of BCP, accelerate establishing production bases in the stable regions and reinforcing the global supply chain (Vietnam, Tianjin...)
- 【2】 Reinforce sales activities mainly in the huge Asian markets
- 【3】 Reinforce information network for global cooperation among the production, 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
- 【6】 Promote SDGs (Environment, Human resources, Health & Safety, Social contribution)

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Premises for FY20 Financial Forecasts

★ Our end markets in each industry show firm tone currently, however, we are cautious about their future.

- 【1】 Currently, orders from the semiconductor related and other industries show bottoming out and recovering tendency. However, we are apprehensive of the 3rd wave of COVID-19 and the duration and impact of it is unforeseeable. Therefore, we forecast our performance cautiously.
- 【2】 We assume the FY20 full year FOREX rate to be (JPY/USD=105, JPY/EUR=121), expecting JPY will be appreciated against USD in the 2nd half than that in the 1st half.



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FY20 Revised Financial Forecasts

	FY2019	FY2020		FY2020		
	Results	Original Forecasts	year-on-year % change	Revised Forecasts	year-on-year % change	FOREX rate impact
Net sales (Sales to external customers of overseas)	526.0 (362.9)	450.0 (310.0)	▲14% ▲15%	480.0 (336.0)	▲9% ▲7%	(▲14.6)
Operating profit (Operating margin)	146.2 (27.8%)	92.0 (20.4%)	▲37%	116.0 (24.2%)	▲21%	(▲9.8)
Ordinary profit	158.4	100.0	▲37%	125.0	▲21%	(▲4.3)
Profit attributable to owners of parent	110.5	72.0	▲35%	86.5	▲22%	
FOREX Rate(US\$) (€)	¥108.71 ¥120.80	¥106.00 ¥116.00		¥105.00 ¥121.00		
Capital expenditures(tangible/intangible)	38.3	40.0	+4%	30.0	▲22%	
Depreciation(tangible/intangible)	16.6	18.8	+13%	18.8	+13%	
R&D expenses	21.4	22.0	+2%	22.0	+2%	
(Unit: Billions of yen)						
The annual dividend per share	400 yen					

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Summary

- 【1】 The rise of protectionism as well as COVID-19 has been influencing the global business environment considerably.
- 【2】 We will promote strengthening our standings, responding to 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, 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, noting the corporate governance.

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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 differ materially from those projections because of multiple economic factors that influence industrial market.

Presentation of Financial Results for the Second Quarter Ended September 30, 2020

SMC Corporation

Masahiro Ota,
Director and Executive Officer
Head of Finance & Accounting Division
November 17, 2020

SMC Corporation November 17, 2020

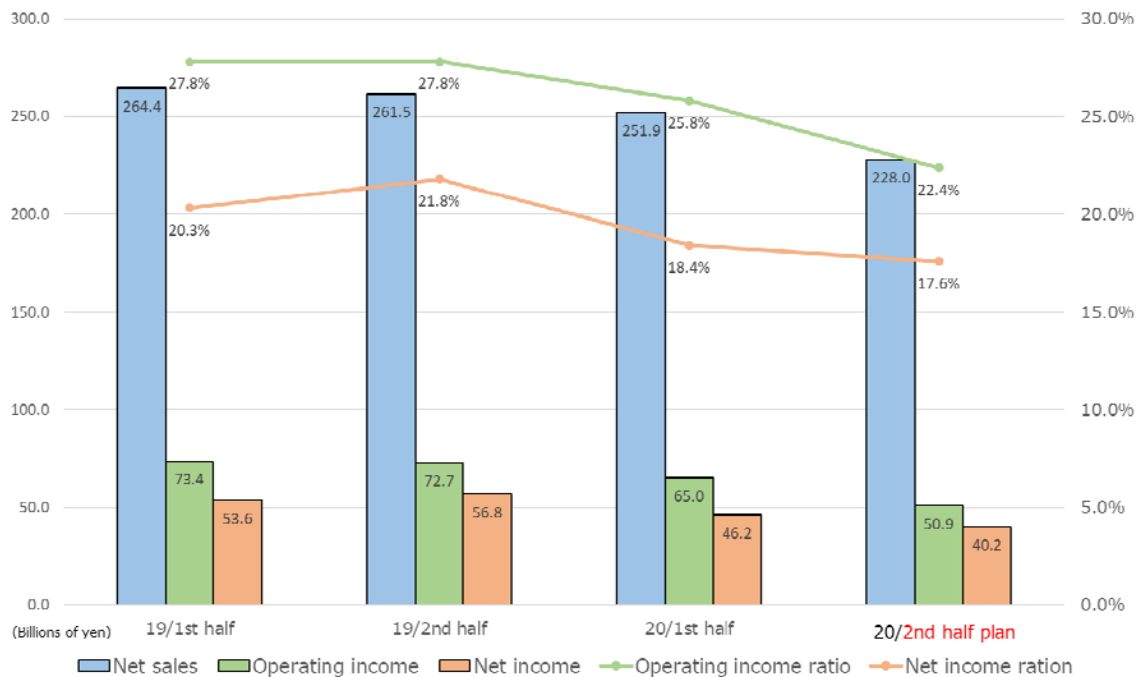
[Half-yearly] Consolidated Statement of Income

(Billions of yen)

	FY19 1st half		FY19 2nd half		FY20 1st half		FY20 2nd half (plan)		FY20 Annual plan (Initial)		FY20 Annual plan (After revised)	
	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales
Net sales	264.4		261.5		251.9		228.0		450.0		480.0	
Cost of sales	134.1	50.7%	131.9	50.5%	133.5	53.0%	-		-		-	
Gross profit	130.2	49.3%	129.5	49.5%	118.4	47.0%	-		-		-	
Selling, general & administrative expenses	56.8	21.5%	56.7	21.7%	53.4	21.2%	-		-		-	
Operating income	73.4	27.8%	72.7	27.8%	65.0	25.8%	50.9	22.4%	92.0	20.4%	116.0	24.2%
Ordinary income	72.9	27.6%	85.4	32.7%	68.2	27.1%	56.7	24.9%	100.0	22.2%	125.0	26.0%
Net income	53.6	20.3%	56.8	21.8%	46.2	18.4%	40.2	17.6%	72.0	16.0%	86.5	18.0%
Exchange rate (yen)												
USD	108.60		108.82		106.92		103.08		106.00		105.00	
EUR	121.40		120.20		121.32		120.68		116.00		121.00	

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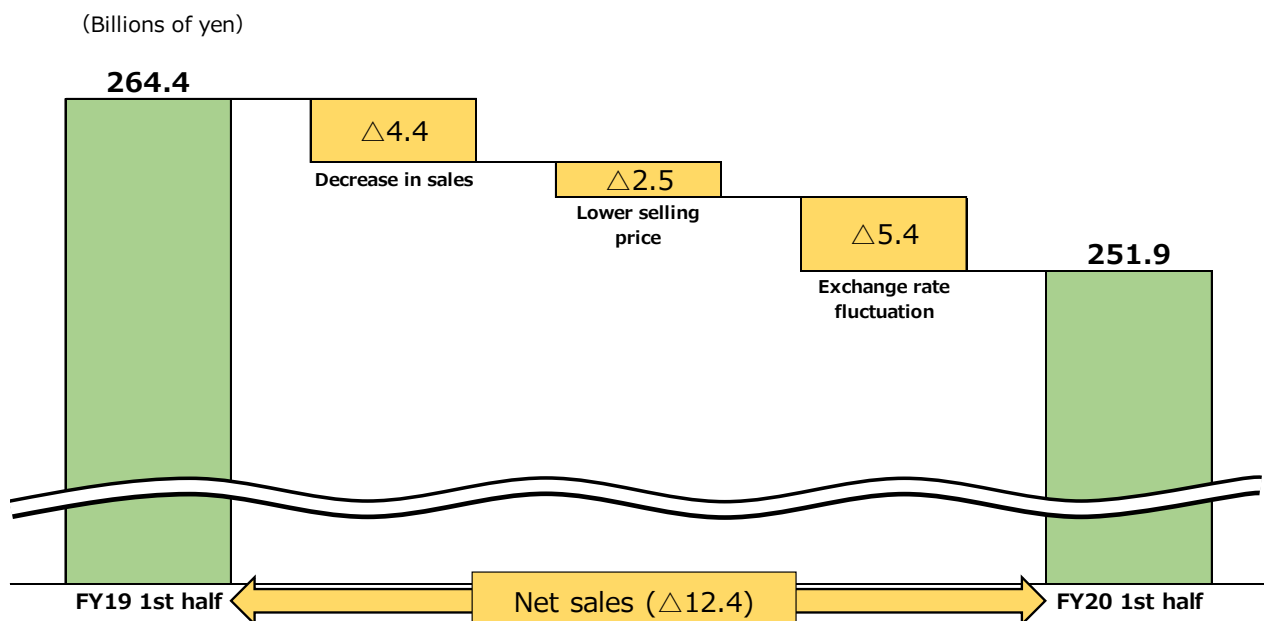
[Half-yearly] Consolidated Statement of Income



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[Actual vs. FY19 1st half] Factors on Change of Net Sales

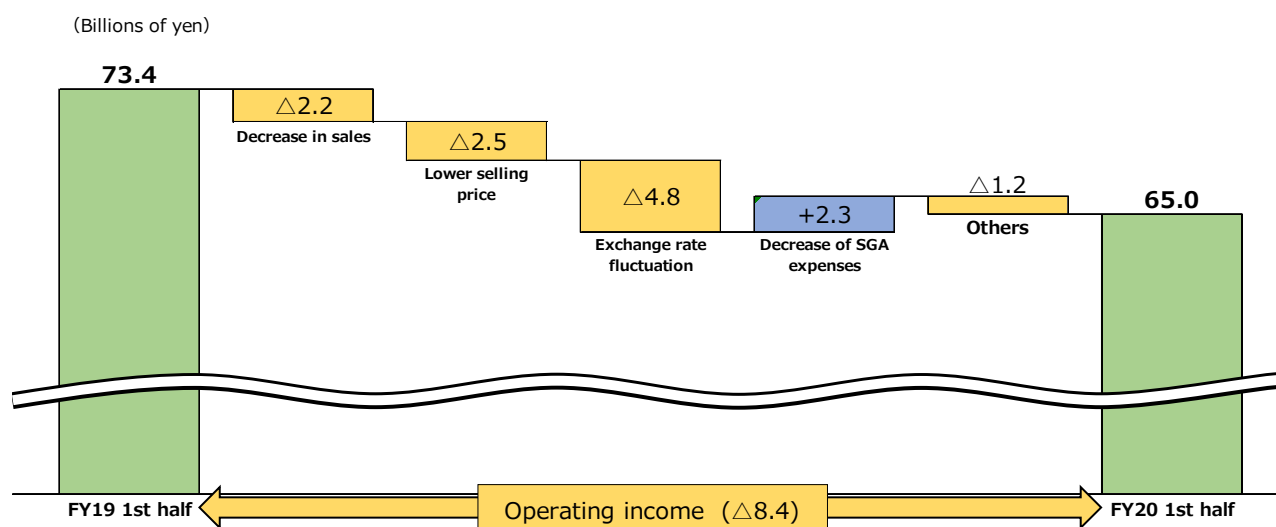


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[Actual vs. FY19 1st half]

Factors on Change of Operating Income



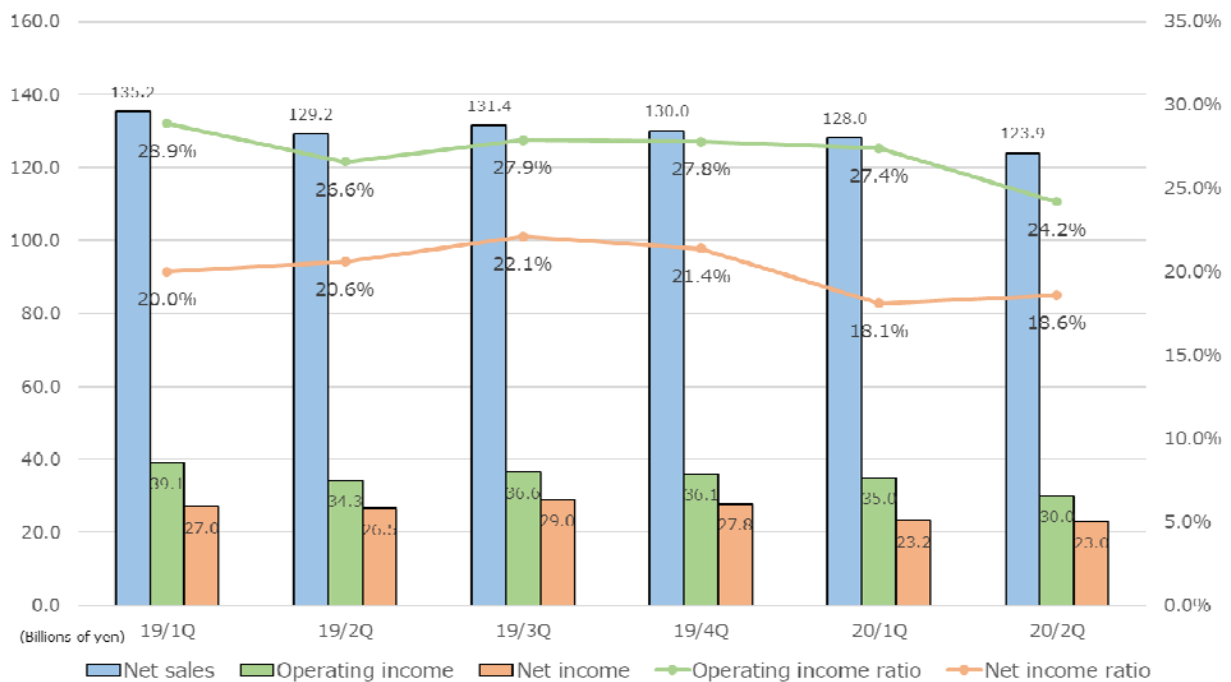
[Quarterly]

Consolidated Statement of Income

(Billions of yen)

	FY19/1Q	FY19/2Q	FY19/3Q	FY19/4Q	FY20/1Q	FY20/2Q
	Amount vs net sales	Amount vs net sales	Amount vs net sales	Amount vs net sales	Amount vs net sales	Amount vs net sales
Net sales	135.2	129.2	131.4	130.0	128.0	123.9
Cost of sales	67.3 49.8%	66.8 51.8%	66.0 50.2%	65.9 50.7%	66.9 52.3%	66.5 53.7%
Gross profit	67.9 50.2%	62.3 48.2%	65.4 49.8%	64.1 49.3%	61.0 47.7%	57.3 46.3%
Selling, general & administrative expenses	28.8 21.3%	27.9 21.7%	28.7 21.9%	28.0 21.5%	26.0 20.4%	27.3 22.1%
Operating income	39.1 28.9%	34.3 26.6%	36.6 27.9%	36.1 27.8%	35.0 27.4%	30.0 24.2%
Ordinary income	36.7 27.2%	36.2 28.0%	42.2 32.1%	43.2 33.2%	36.7 28.7%	31.5 25.4%
Net income	27.0 20.0%	26.5 20.6%	29.0 22.1%	27.8 21.4%	23.2 18.1%	23.0 18.6%
Exchange rate (yen)						
USD	109.90	107.36	108.74	108.90	107.63	106.22
EUR	123.49	119.40	120.28	120.12	118.58	124.07

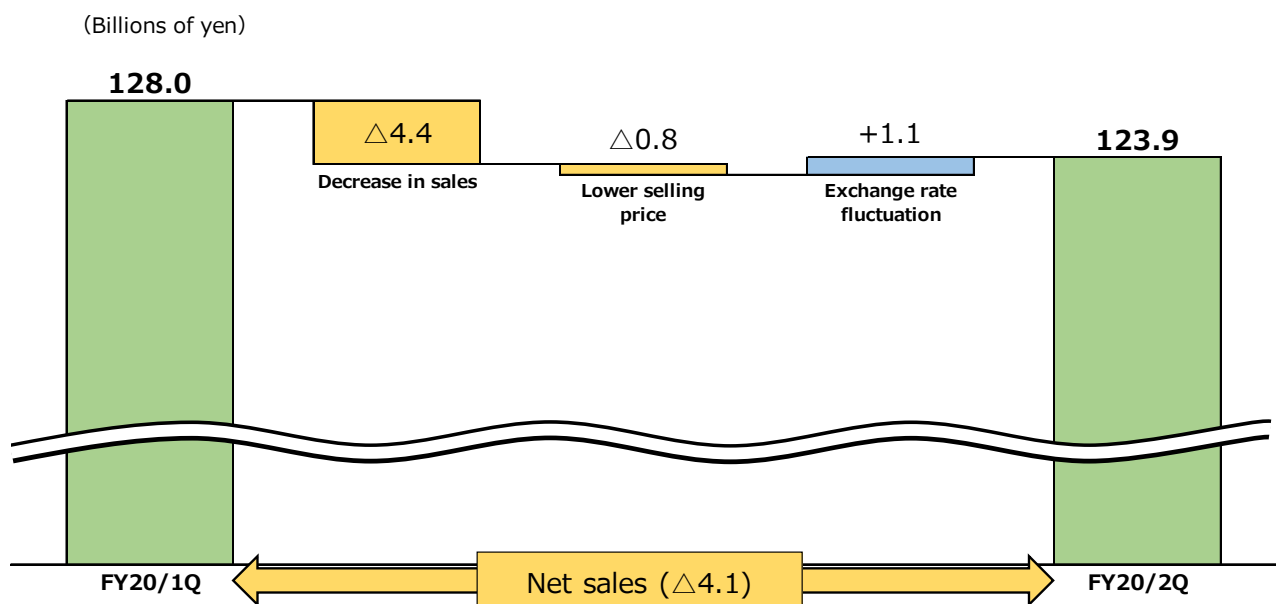
[Quarterly] Consolidated Statement of Income



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[FY20/ 2Q vs. 1Q] Factors on Change of Net Sales

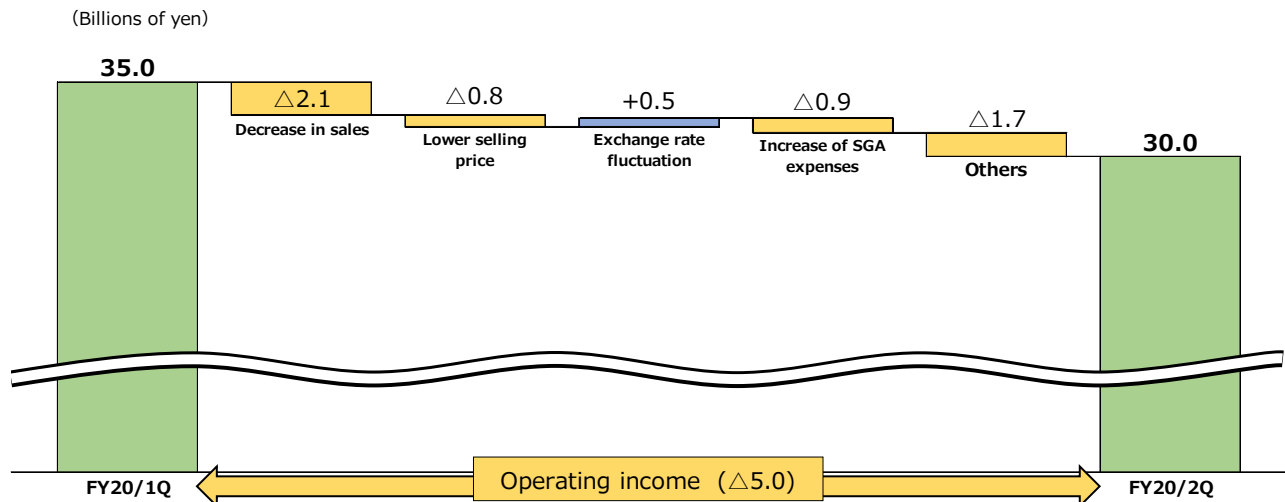


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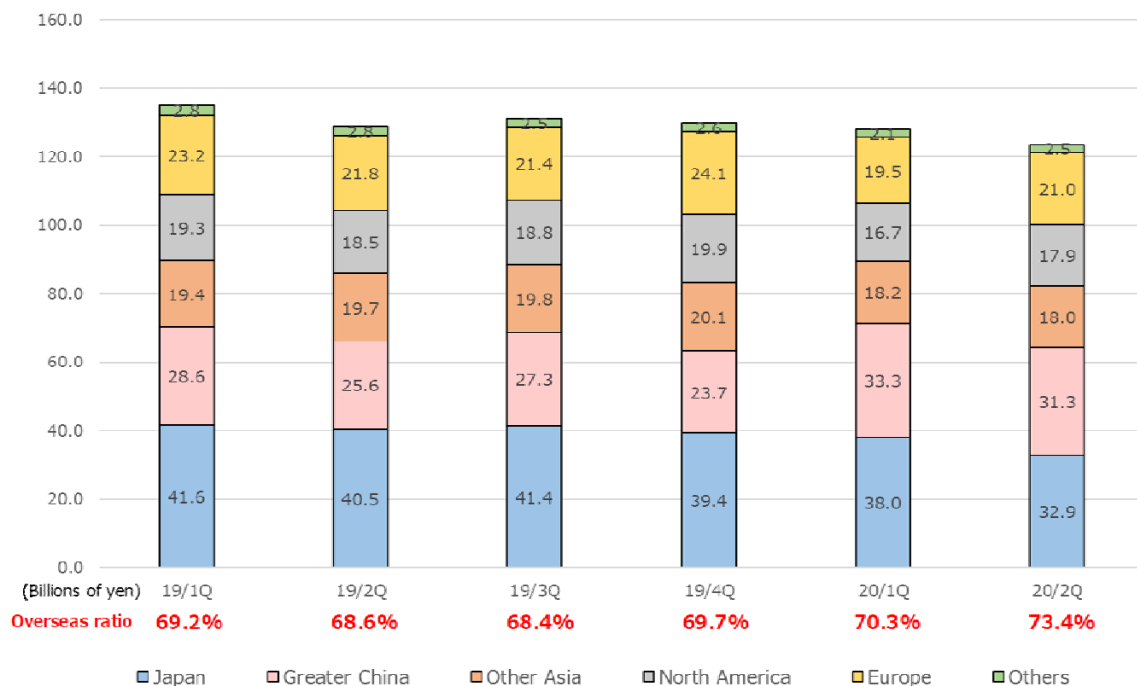
[FY20/ 2Q vs. 1Q]

Factors on Change of Operating Income

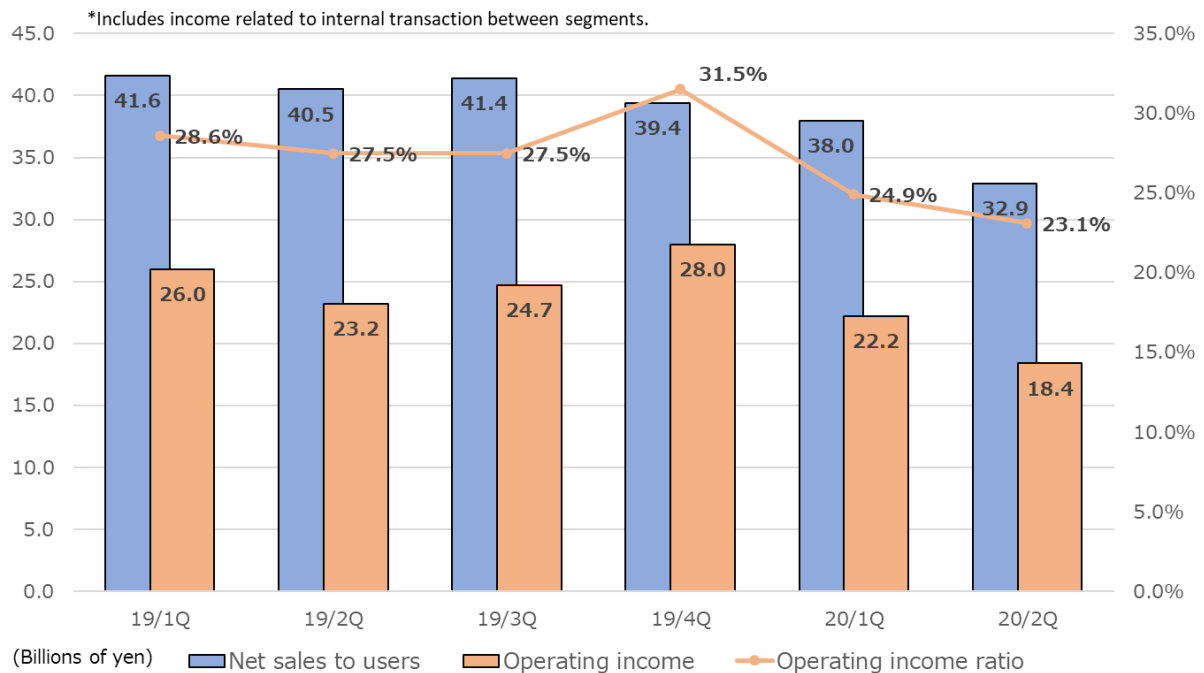


[Quarterly]

Consolidated Net Sales by Location



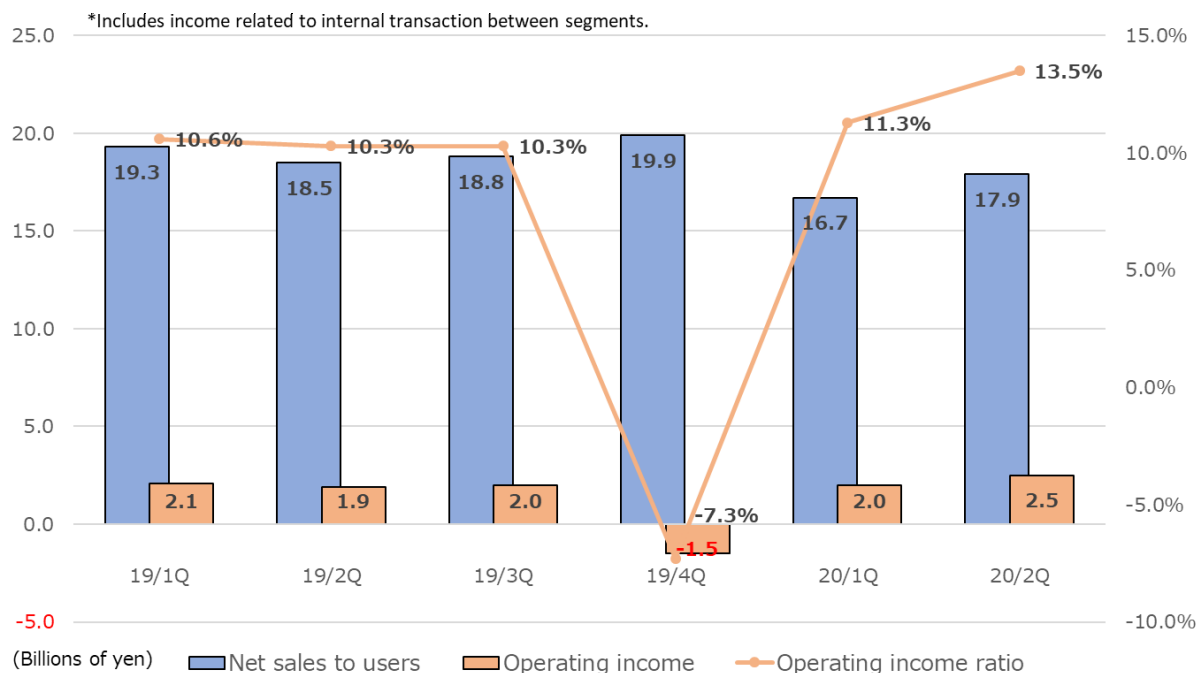
[Quarterly] Net Sales & Operating Income (Japan)



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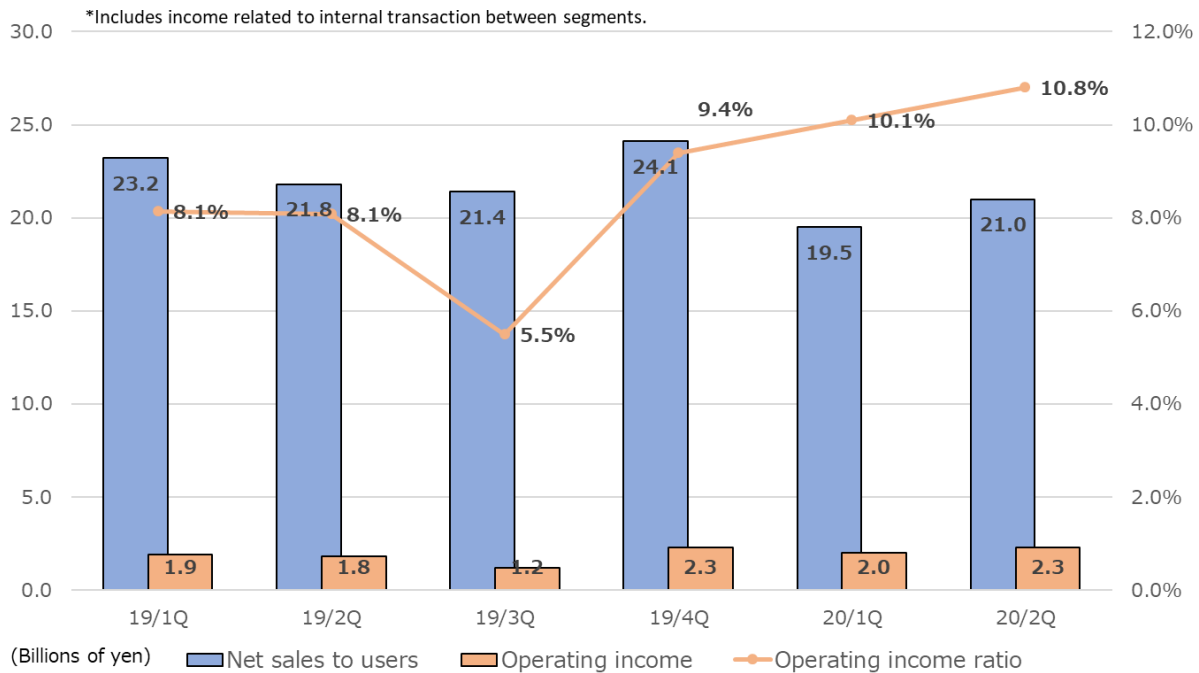
[Quarterly] Net Sales & Operating Income (North America)



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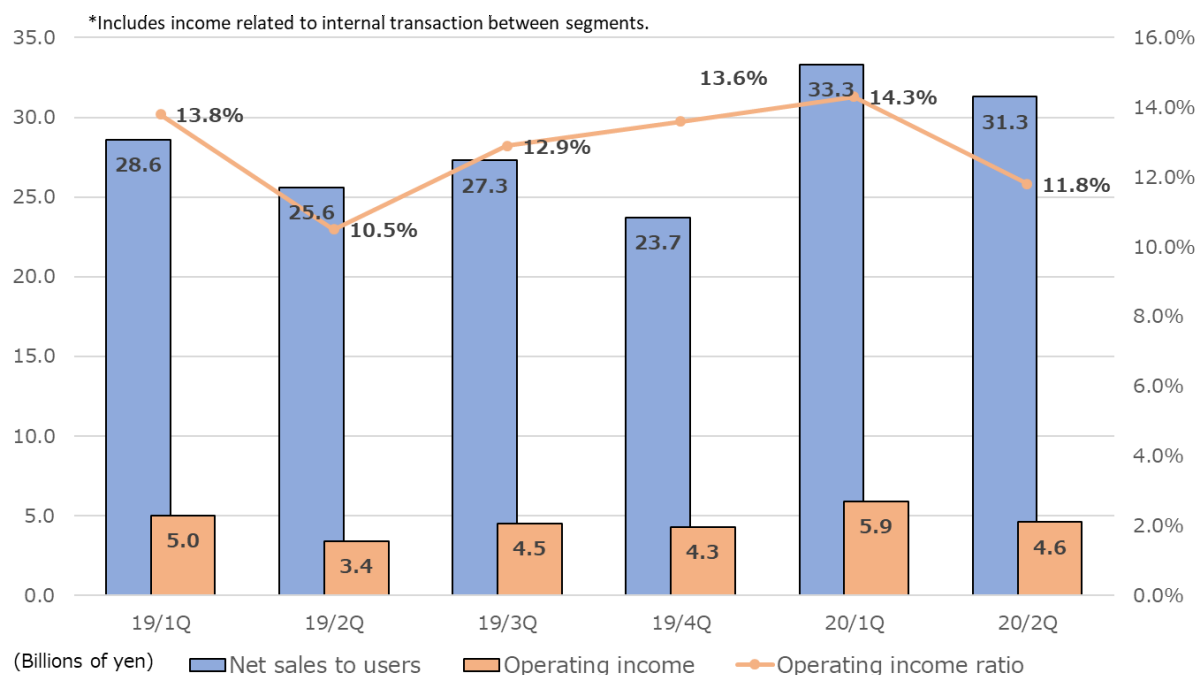
[Quarterly] Net Sales & Operating Income (Europe)



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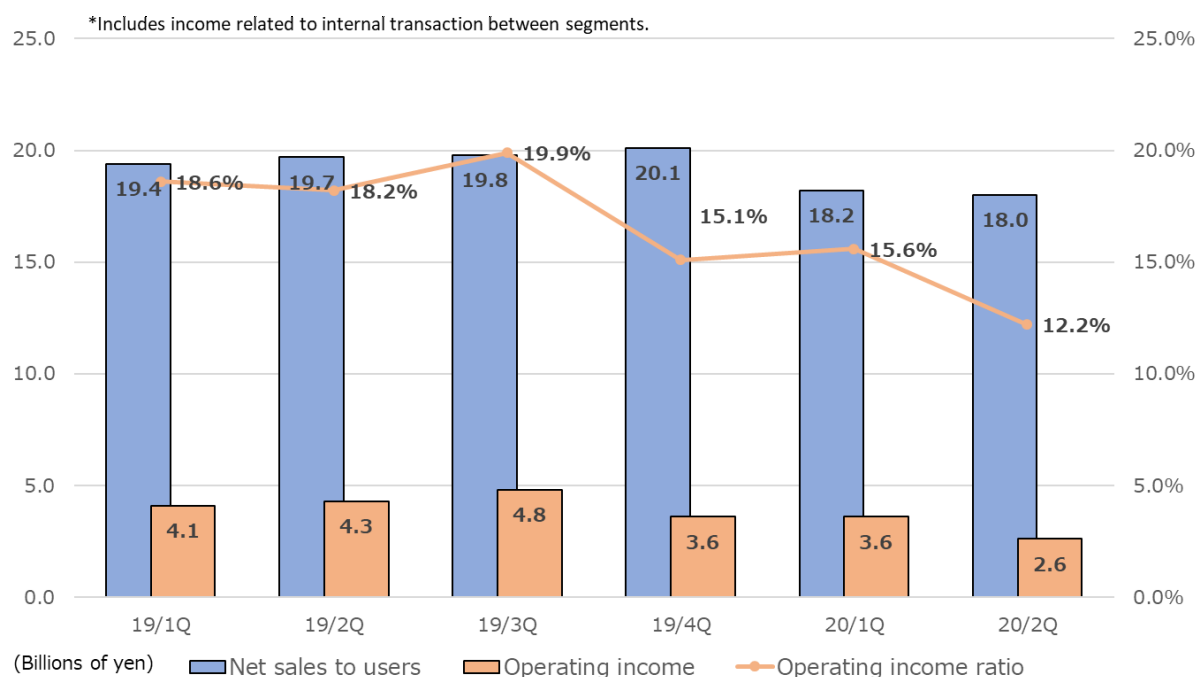
[Quarterly] Net Sales & Operating Income (Greater China)



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[Quarterly] Net Sales & Operating Income (Other Asia)



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[Quarterly] Consolidated Balance Sheet



(Billions of yen)

	FY19/1Q	FY19/2Q	FY19/3Q	FY19/4Q	FY20/1Q	FY20/2Q
Assets	1,378.1	1,350.5	1,410.7	1,390.5	1,417.1	1,437.1
Current assets	956.3	918.7	970.1	964.5	988.0	1,000.9
(cash on hand and deposits)	(530.5)	(525.0)	(560.1)	(548.3)	(573.9)	(587.8)
(securities)	(11.1)	(11.2)	(12.3)	(12.4)	(12.2)	(12.0)
(inventories)	(230.7)	(227.6)	(236.6)	(232.5)	(239.2)	(242.2)
Fixed assets	421.7	431.7	440.6	425.9	429.1	436.2
(investment securities)	(75.4)	(76.0)	(76.1)	(59.8)	(62.0)	(62.9)
(refundable insurance payments)	(132.8)	(138.0)	(138.4)	(139.2)	(138.8)	(144.0)
Liabilities	149.8	129.8	147.1	137.2	148.6	141.1
Current liabilities	117.3	96.8	110.0	94.3	102.9	95.8
Fixed liabilities	32.5	33.0	37.1	42.9	45.7	45.3
Net assets	1,228.3	1,220.6	1,263.5	1,253.2	1,268.4	1,296.0
Capital adequacy ratio	88.9%	90.1%	89.3%	89.9%	89.3%	90.0%
Exchange rate (yen)						
USD	107.75	107.96	109.68	108.83	107.74	105.81
EUR	122.46	118.04	121.73	119.65	121.05	124.16

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Consolidated Balance Sheet

FY20/2Q Summary

(Billions of yen)

		Financial debt	11.7
Cash on hand and Deposit	587.8		
Securities	12.0	Equity capital (Capital adequacy ratio 90.0%)	1,293.0
Investment securities	62.9		
Refundable insurance payments	144.0		
	219.0		
Inventories	242.2		
Other current assets	158.7		
Other fixed assets	229.3		
		Other liabilities and Non-controlling interests	132.4

[Quarterly] Inventory

(Billions of Yen)

	19/1Q	19/2Q	19/3Q	19/4Q	20/1Q	20/2Q	vs.FY19
Total inventory	230.7	227.6	236.6	232.5	239.2	242.2	9.6
Merchandise and finished goods	102.7	102.9	108.7	103.4	108.1	111.4	7.9
Work in process	20.0	18.1	19.1	18.9	19.4	18.9	0.0
Raw materials, parts and supplies	107.9	106.5	108.6	110.1	111.7	111.9	1.7

Impact due to exchange rate fluctuation 1.0

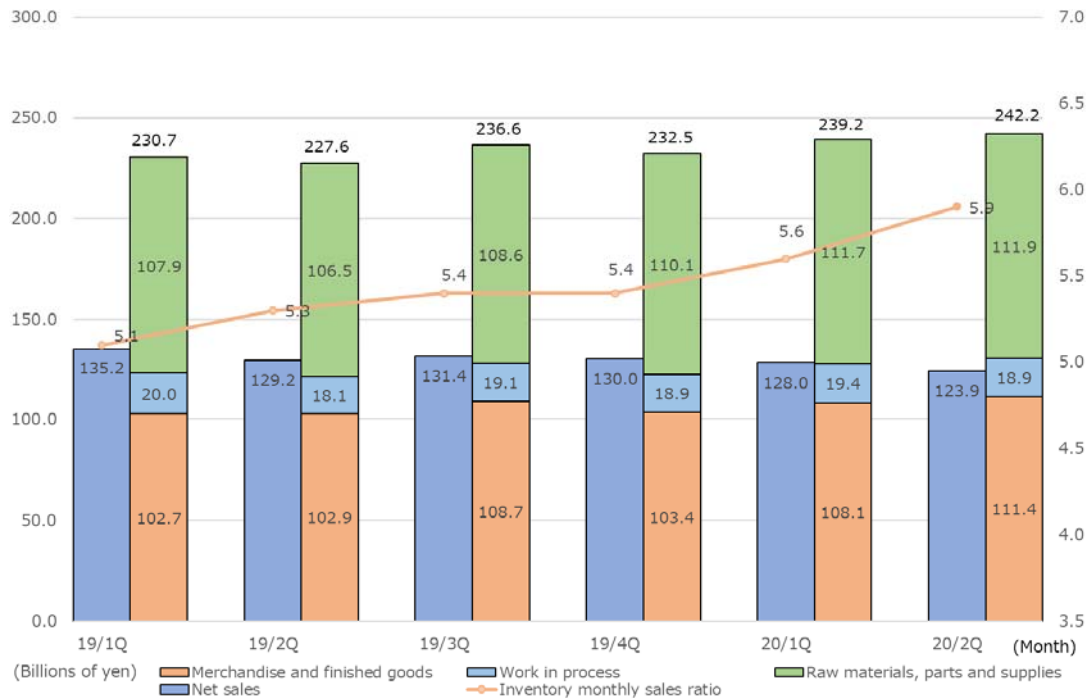
Impact due to inventory devaluation -1.2

Total change 9.8

Exchange rate of quarter end (yen)

USD	107.75	107.96	109.68	108.83	107.74	105.81
EUR	122.46	118.04	121.73	119.65	121.05	124.16

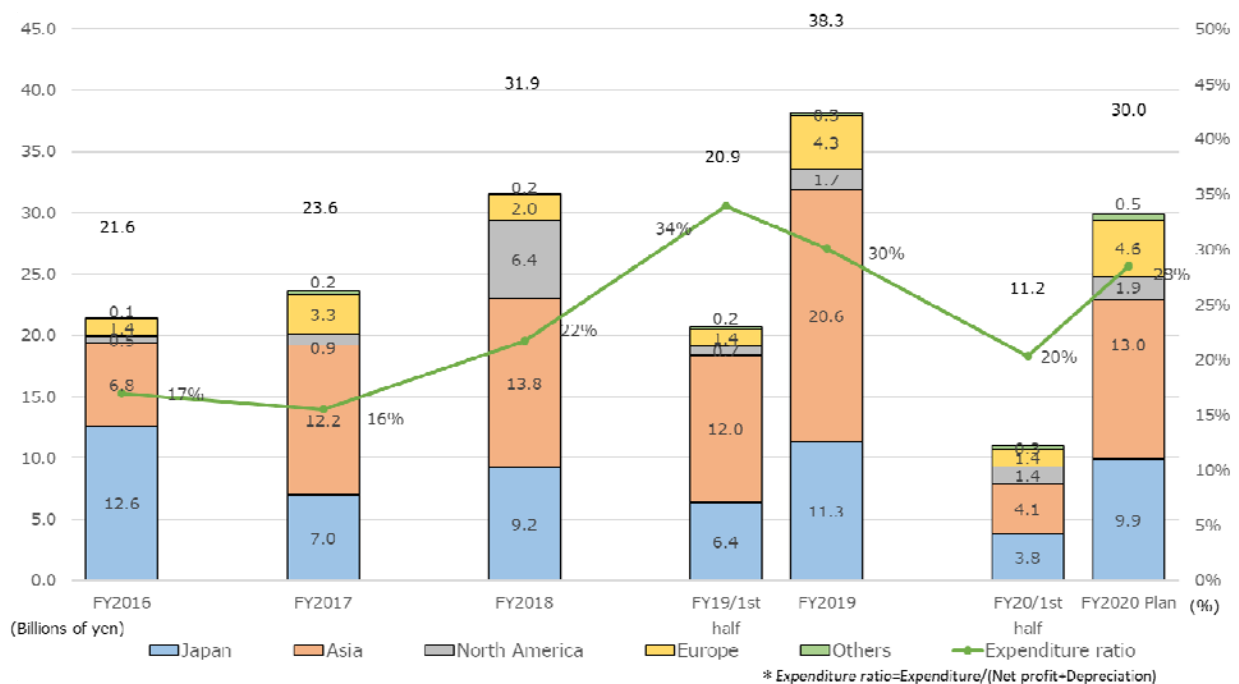
[Quarterly] Inventory



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[Yearly] Capital Expenditure



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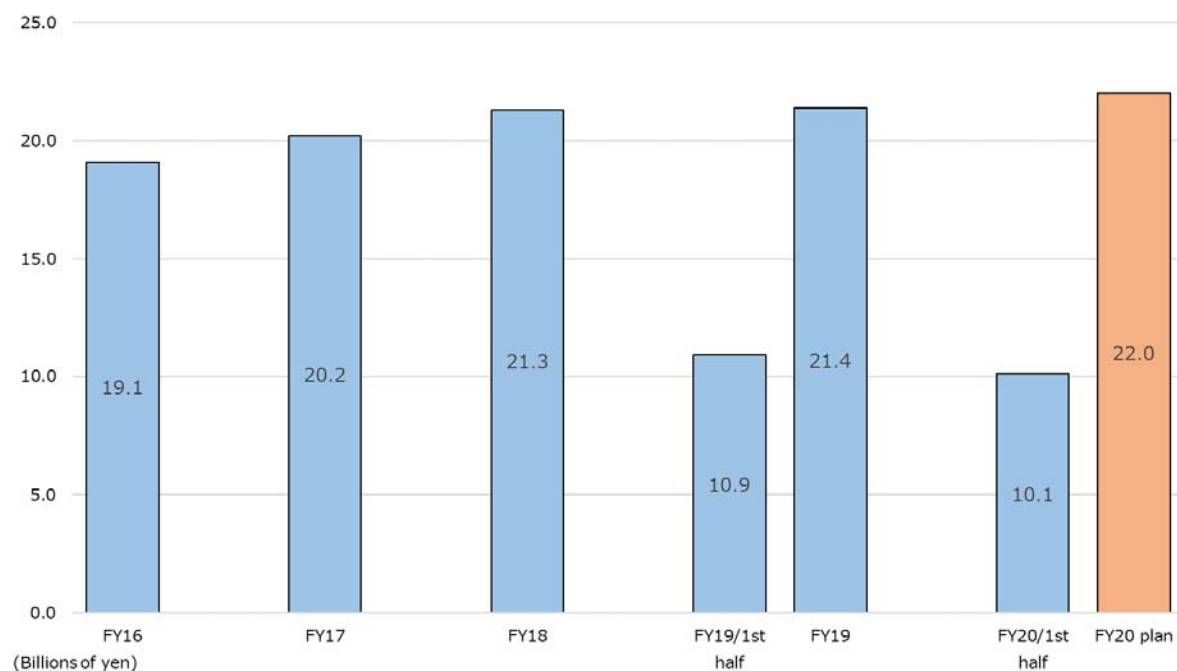
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Main Capital Expenditure

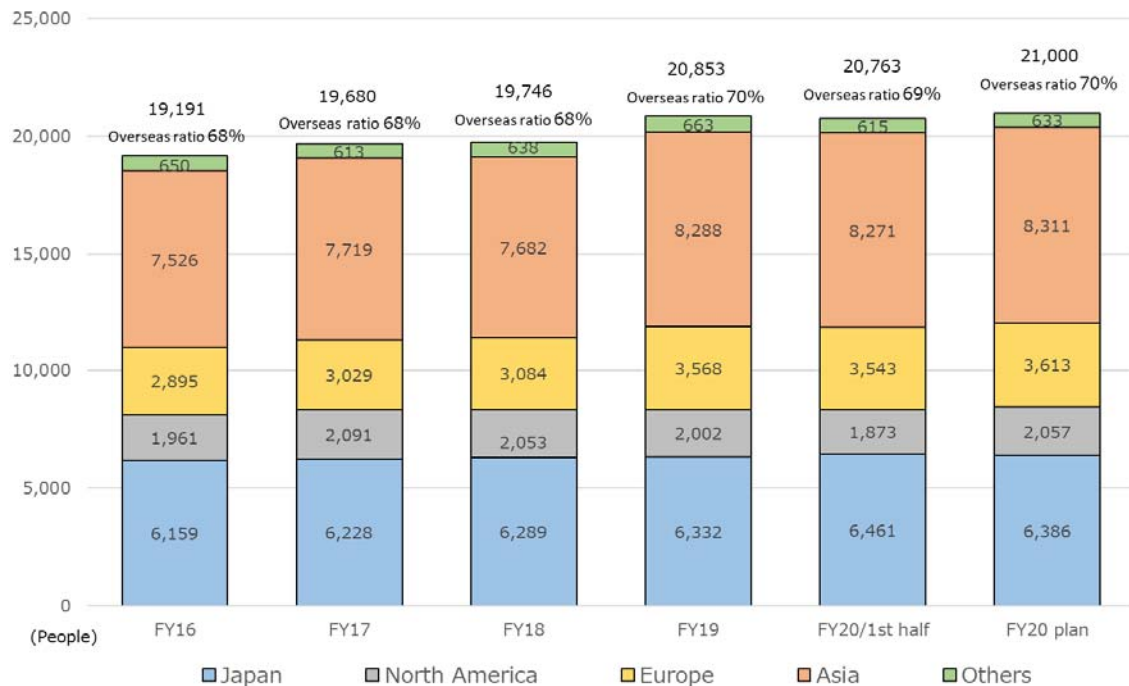
(Billions of yen)

Area	Company name	Purpose	1st half result	2nd half plan	FY2020 plan
Japan	SMC	Machines, Factory and warehouse construction (Shimotsuma, Ryuoh)	3.5	6.0	9.5
Asia	Tianjin MFG	Factory construction, factory land	1.0	4.0	5.0
	Vietnam MFG	Parts machining machines	2.4	1.1	3.5
	SMC China・Beijing MFG	Assembly and machining machines	1.6	1.7	3.3
	Singapore MFG	Factory rebuilding, machiens	0.0	0.8	0.8
North America	SMC America	Auto-warehouse equipment, machines	1.3	0.5	1.8
Europe	SMC Italy	Land for future expansion	0.2	1.0	1.2
	SMC Austria	HQ expansion (Office, showroom, etc)	0.3	0.5	0.8
	SMC Spain	HQ expansion (Factory, warehouse)	0.1	0.6	0.7
	SMC Turkey	New HQ construction (Office, warehouse, factory)	0.0	0.5	0.5
Other companies			0.8	2.1	2.9
Total			11.2	18.8	30.0

[Yearly] Research & Development Expense



[Yearly] Number of Employees



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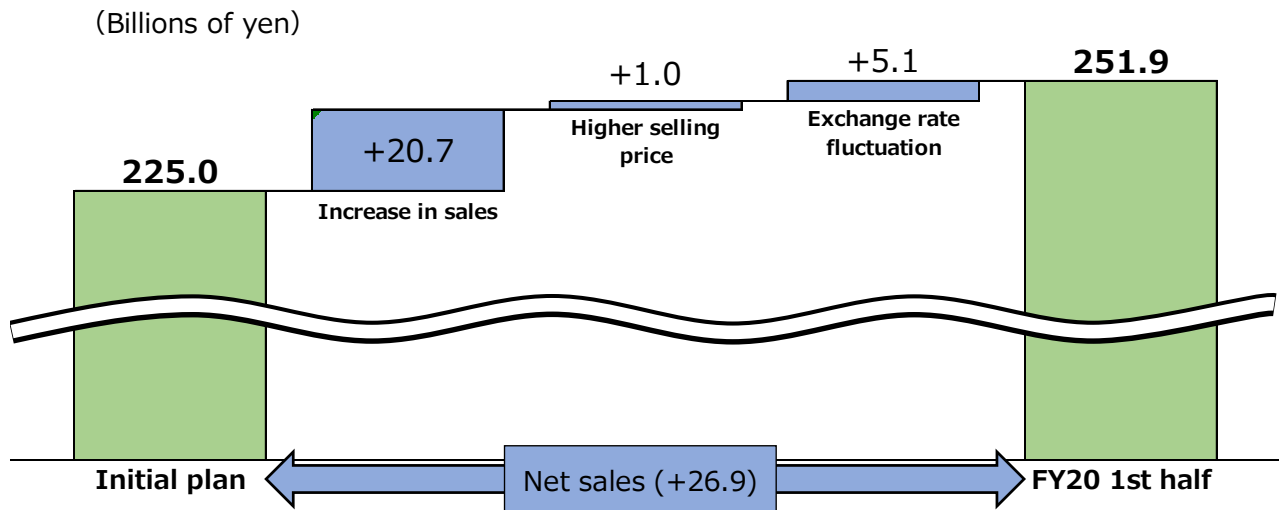
[1st Half] Initial Plan vs. Actual & Achievement Ratio

	FY20 1st half plan (Initial)		FY20 1st half actual		FY20vs1st half plan (Initial)		FY20 annual plan (Initial)	
	Amount	vs net sales	Amount	vs net sales	Amount	achievement ratio	Amount	achievement ratio
Net sales	225.0		251.9		26.9	112.0%	450.0	56.0%
Operating income	46.0	20.4%	65.0	25.8%	19.0	141.4%	92.0	70.7%
Ordinary income	50.0	22.2%	68.2	27.1%	18.2	136.5%	100.0	68.3%
Net income	36.0	16.0%	46.2	18.4%	10.2	128.6%	72.0	64.3%
Exchange rate (yen)								
USD	106.00		106.92		0.9%	Weak yen		
EUR	116.00		121.32		4.6%	Weak yen		

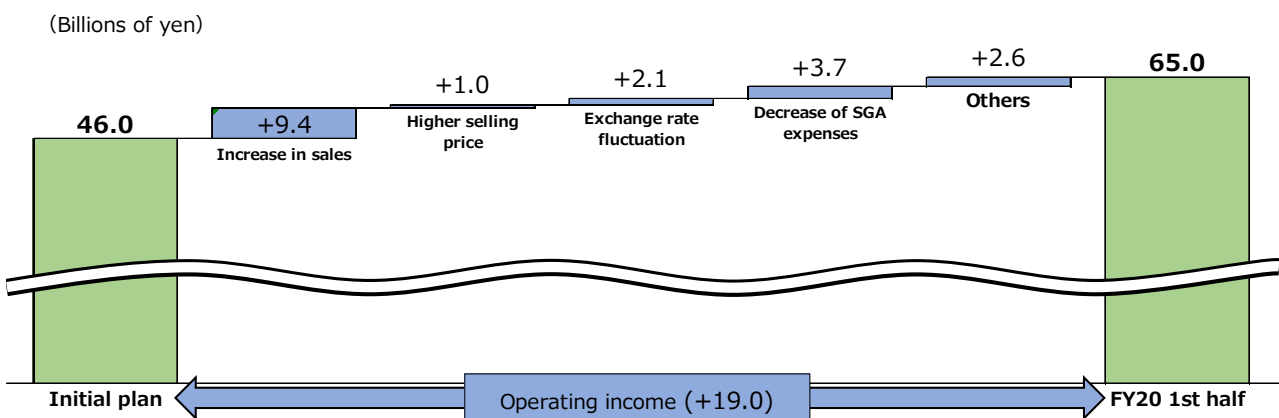
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[1st Half] Initial Plan vs. Actual Factors on Change of Net Sales



[1st Half] Initial Plan vs. Actual Factors on Change of Operating Income



[Yearly] Initial Plan vs. Revised Plan

(Billions of yen)

	FY20 Initial plan		FY20 Revised plan		Revision		1st half	2nd half	
	Amount	vs net sales	Amount	vs net sales	Amount	Ratio	Amount	Amount	vs 1st half
Net sales	450.0		480.0		30.0	6.7%	251.9	228.0	90.5%
Operating income	92.0	20.4%	116.0	24.2%	24.0	26.1%	65.0	50.9	78.3%
Ordinary income	100.0	22.2%	125.0	26.0%	25.0	25.0%	68.2	56.7	83.1%
Net income	72.0	16.0%	86.5	18.0%	14.5	20.1%	46.2	40.2	86.9%
Exchange rate (yen)									
USD	106.00		105.00		0.9%	Strong yen	106.92	103.08	
EUR	116.00		121.00		4.3%	Weak yen	121.32	120.68	
CNY	15.00		15.00		-		15.26	14.74	
KRW	0.0860		0.0870		1.2%	Weak yen	0.0888	0.0852	

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.