

**Presentation of Financial Results  
for the Second Quarter Ended  
September 30,2017 (FY2017)**

(Supplemental Material for Consolidated  
Financial Highlights)

November 10,2017

**SMC Corporation**

# **FY17 1<sup>st</sup> Half Financial Results Conference**

## **For 6 months ended on September 30<sup>th</sup>, 2017**

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November 10, 2017

# **SMC Corporation**

Katsunori Maruyama, President

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# **FY17 1<sup>st</sup> Half Consolidated Financial Summary**

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- Orders from all industries have been favorable on a global basis. Orders from the semiconductor equipment, portable terminals, automobiles and machine tools related industry increased mainly in Japan, the US and China.
- Net sales and income increased on a quantity basis.  
The amount of net sales and income increased, coupled with promoting rationalization and cost reduction activities.
- Net sales increase: 27%, Operating income increase 41%, Ordinary income increase: 91%
- The interim dividend per share is 200 yen.

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## FY17 1<sup>st</sup> Half Consolidated Financial Summary Part 1

	FY2016 1st Half	FY2017 1st Half	FY2017 1st Half			
	Results	Plan	Results	Growth rate against Plan	year-on-year % change	FOREX rate impact
Net sales (Sales to external customers of overseas)	229.8 (152.1)	260.0 (175.0)	291.3 (201.3)	+12% +15%	+27% +32%	(+10.6)
Operating income (Operating margin)	67.8 (29.5%)	75.0 (28.8%)	95.3 (32.7%)	+27%	+41%	(+4.7)
Ordinary income	54.1	77.5	103.4	+34%	+91%	(+26.1)
Net income <sup>*1</sup>	45.8	58.0	74.0	+28%	+61%	
FOREX Rate(US\$) (€)	¥105.25 ¥118.11	¥105.00 ¥115.00	¥111.05 ¥126.31			
Capital expenditures(tangible/intangible)	8.5	12.2	12.6	+4%	+47%	
Depreciation expenses (tangible/intangible)	6.8	7.4	7.5	+2%	+9%	
R&D expenses	9.5	10.0	10.1	+1%	+6%	
*1 Net Income attributable to SMC Corporation (Unit: Billions of yen)						
The annual dividend per share	100 yen	200 yen	200 yen			

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## FY17 1<sup>st</sup> Half Consolidated Financial Summary Part 2

	FY2016 1st Half	FY2016	FY2017 1st Half			
	Results	Results	Results	year-on-year % change	Change	Change excluding effects of FOREX rates
Net asset value	917.3	1,030.3	1,117.5	+8%	+87.2	(+65.8)
Current assets (of which: Inventories)	725.5 (173.6)	835.9 (179.1)	927.6 (195.7)	+10% (+9%)	+91.7 +16.6	(+70.4) (+12.7)
Fixed assets	356.9	356.5	398.1	+11%	+41.6	(+37.7)
Equity ratio	84.5%	86.2%	84.1%		▲2.1%	▲2.2%
Equity per share	13,614 yen	15,292 yen	16,581 yen	+8%	+1,289 yen	(+967 yen)
Term end FOREX rate(US\$) (€)	¥101.12 ¥113.29	¥112.20 ¥119.78	¥112.74 ¥132.81			

(Unit: Billions of yen)

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## SMC Market Share Trend (SMC Estimation)

- ◆ Point: The demand for the semiconductor equipment and portable terminals has been steady. The share in Asia is estimated to increase at the end of 17/Q1!

	'14	'15	'16	'17/Q1 ※
Rate(¥/\$)	(109.76)	(120.14)	(108.38)	(108.38)
Japan	65	65	65	65
North America	22	23	24	24
Europe	20	20	20	20
Asia/Oceania	46	46	47	48
Global Total	33	34	35	36
Global Total(¥/\$:108.38)	33	34	35	36

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

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## Current Orders Situation (FY16=100)

### 【Fixed FOREX Rates】

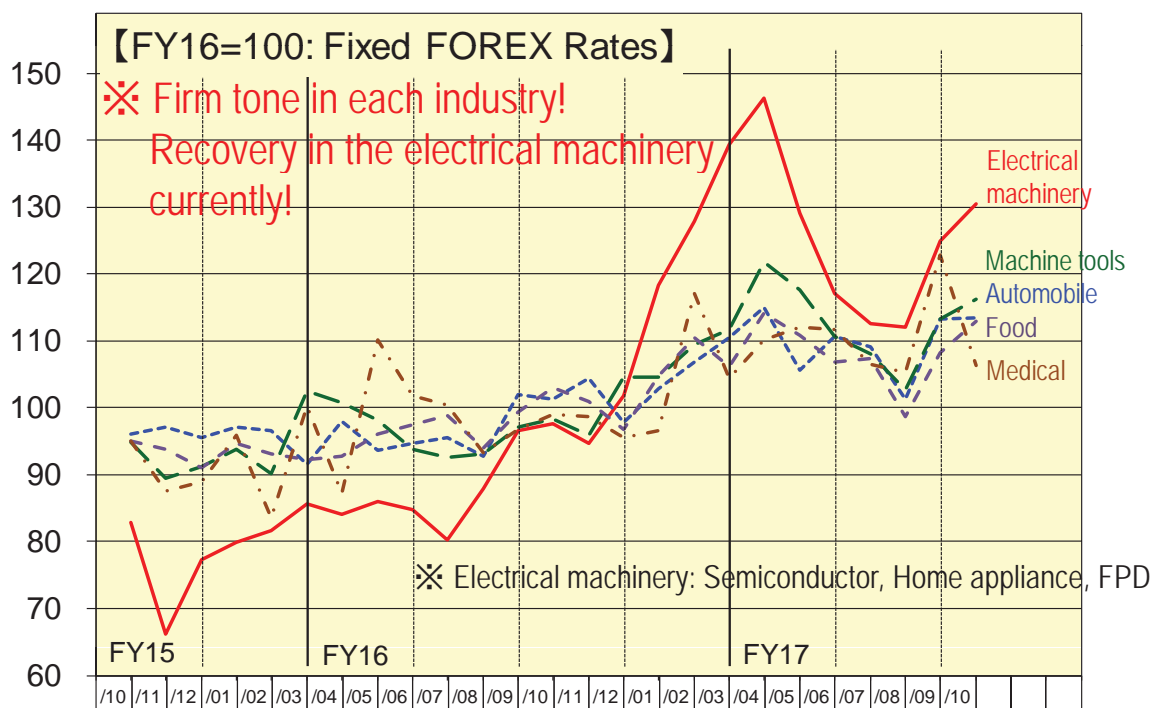
		FY17	'17/1Q	'17/2Q	'17/10	Current situation
Consolidated	Electrical machinery	124	130	116	131	Firm tone in Japan, recovery in the US, China and Korea
	Automobile	110	110	108	113	Firm tone in Japan, China and Mexico
	Machine tools	113	117	108	116	Firm tone in Japan, China and Korea
	Food	108	111	105	113	Firm tone in Europe and China
	Medical	111	111	111	106	Firm tone in Japan, Europe and China
	Other	109	108	106	118	
Japan		111	108	111	118	Firm tone in all industries
North America		109	116	102	111	Recovery in the semiconductor, firm tone in the automobile industry
Europe		108	113	102	112	Firm tone in the food and medical industry
Asia & Oceania		120	125	112	127	Recovery in the semiconductor, firm tone in the automobile industry
Consolidated		113	117	108	119	

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## Consolidated Orders Trend By Industry (FY16=100)

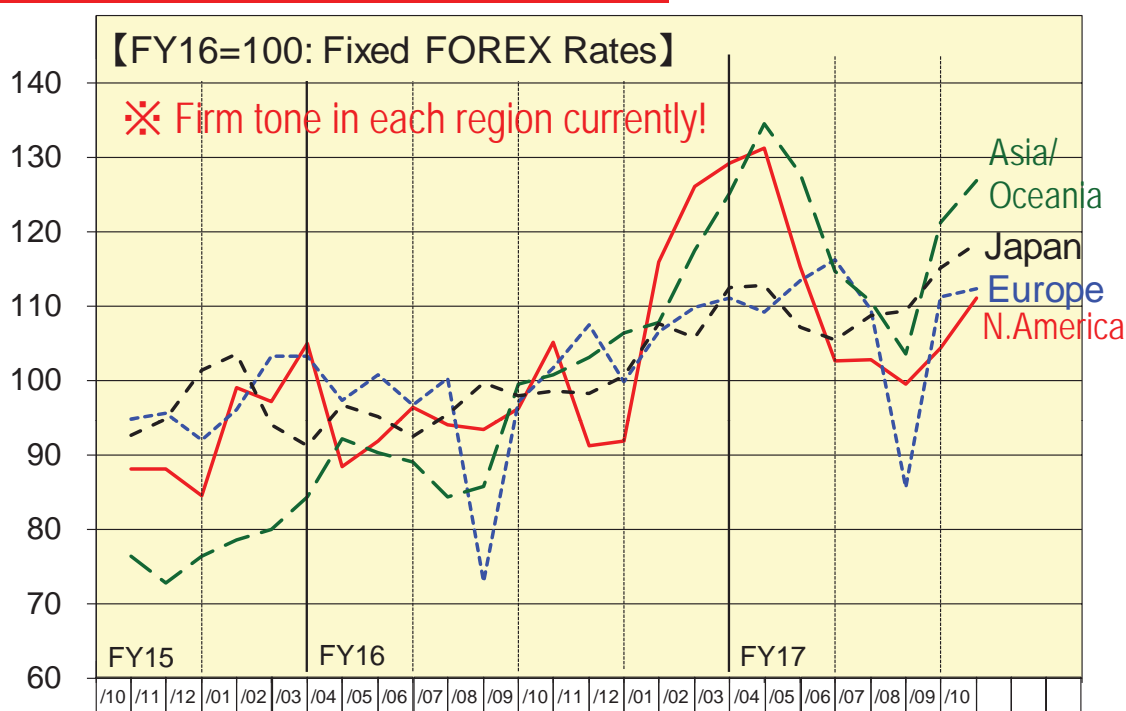


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## Consolidated Orders Trend By Region (FY16=100)



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## Pneumatic Demand Environment

- ★ Local production has accelerated mainly in the emerging countries. Against the background of the request for quality improvement, the demand for factory automation has expanded!

### 【Attentions】

- 【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, the distribution types and the competition become pluralistic.

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## Focused Measures for the FY17 2<sup>nd</sup> Half

- ★ We will maintain the basic posture! We recognize that we are at a turning point in the competitive environment. We will continue improving the mobility 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

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# Premises for FY17 Financial Forecasts

- 【1】 In the FY17 1<sup>st</sup> half, orders kept firm tone mainly in the semiconductor equipment, portable terminals, automobile industry and so on. However, in the FY17 2<sup>nd</sup> half, we assume that they will ease to the FY16 2<sup>nd</sup> half level.
- 【2】 We suppose that the yen will be stronger in the FY17 2<sup>nd</sup> half than that in FY17 1<sup>st</sup> half. However, for the FY17 full year, we assume that the yen will be weaker than that in FY16, and FOREX rate will be (JPY/USD=110, JPY/EUR=126).



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## FY17 Revised Financial Forecasts

	FY2016	FY2017		FY2017		
	Results	Original Forecasts	year-on-year % change	Revised Forecasts	year-on-year % change	FOREX rate impact
Net sales (Sales to external customers of overseas)	487.6 (327.9)	510.0 (343.0)	+5% +5%	550.0 (379.0)	+13% +16%	(+10.0)
Operating income (Operating margin)	141.1 (28.9%)	145.0 (28.4%)	+3%	170.0 (30.9%)	+20%	(+5.4)
Ordinary income	148.2	150.0	+1%	180.0	+21%	(+9.6)
Net income <sup>*1</sup>	113.0	112.0	▲1%	130.0	+15%	
FOREX Rate(US\$) (€)	¥108.38 ¥118.79	¥105.00 ¥115.00		¥110.00 ¥126.00		
Capital expenditures(tangible/intangible)	21.6	35.5	+64%	35.5	+64%	
Depreciation expenses (tangible/intangible)	14.2	15.3	+7%	15.3	+7%	
R&D expenses	19.1	20.0	+5%	20.0	+5%	
(Unit: Billions of yen)						
The annual dividend per share	300 yen					

<sup>\*1</sup> Net Income attributable to SMC Corporation

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# Summary

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- 【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 “return to shareholders”. We think of it as meeting the expectation of investors that we improve the enterprise value by expanding our performance, noting corporate governance, and contribute to the society.

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## Notice

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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 from the projections because of multiple economic factors that influence industrial market.

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# Results Announcement for the Second Quarter Ended September 30, 2017

## SMC Corporation

Ikuji Usui,  
Director and Senior  
Managing Executive  
Officers  
November 10, 2017

SMC Corporation November 10, 2017



## Actual achievement-Highlights

	Sep.2016		Sep.2017			
	Monetary value	Ratio to net sales	Monetary value	Ratio to net sales	Increase/decrease	Ratio to previous term
Net sales	229.8		291.3		61.5	26.8
Cost of sales	112.7	49.0%	139.9	48.0%	27.2	24.2
Gross profit	117.1	50.9%	151.3	52.0%	34.2	29.3
Selling, general, & administrative expenses	49.3	21.4%	56.0	19.2%	6.7	13.6
Operating income	67.8	29.5%	95.3	32.7%	27.5	40.6
Ordinary income	54.1	23.6%	103.4	35.5%	49.2	91.0
Profit attributable to owners of parent	45.8	19.9%	74.0	25.4%	28.1	61.4
Exchange rate(yen)					(Billions of yen)	
Average	US\$	105.25	111.05			
	EUR	118.11	126.31			
End of the 2nd Quarter	US\$	101.12	112.74			
	EUR	113.29	132.81			

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# Profit

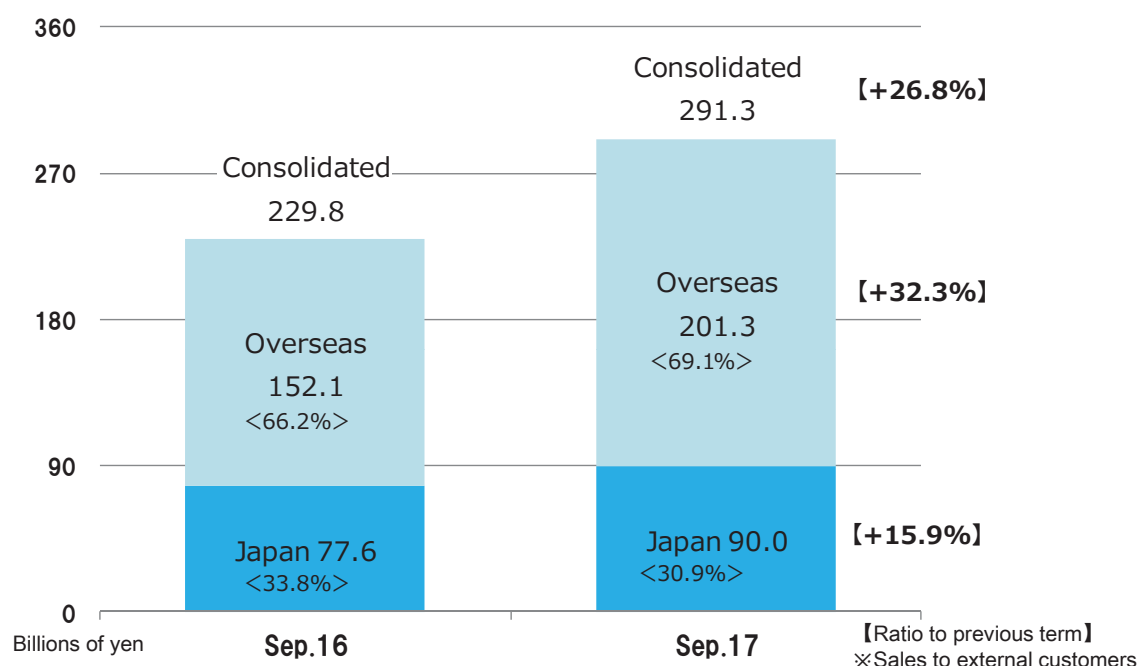
	Sep.2016 Monetary value	Sep.2017 Monetary value	Increase/decrease	Ratio to previous term
Operating income	67.8	95.3	27.5	40.6
Non-Operating income	4.6	8.3	3.7	82.1
Exchange gain		3.1	3.1	
Non-Operating expenses	18.2	0.3	-17.9	-98.2
Exchange loss	18.0		-18.0	
Ordinary income	54.1	103.4	49.2	91.0
Extraordinary income	0.1	0.1	-0	-39.4
Extraordinary loss	1.4	0.9	-0.4	-33.4
Net income before tax	52.9	102.5	49.6	93.9
Profit attributable to owners of parent	45.8	74.0	28.1	61.4

(Billions of yen)

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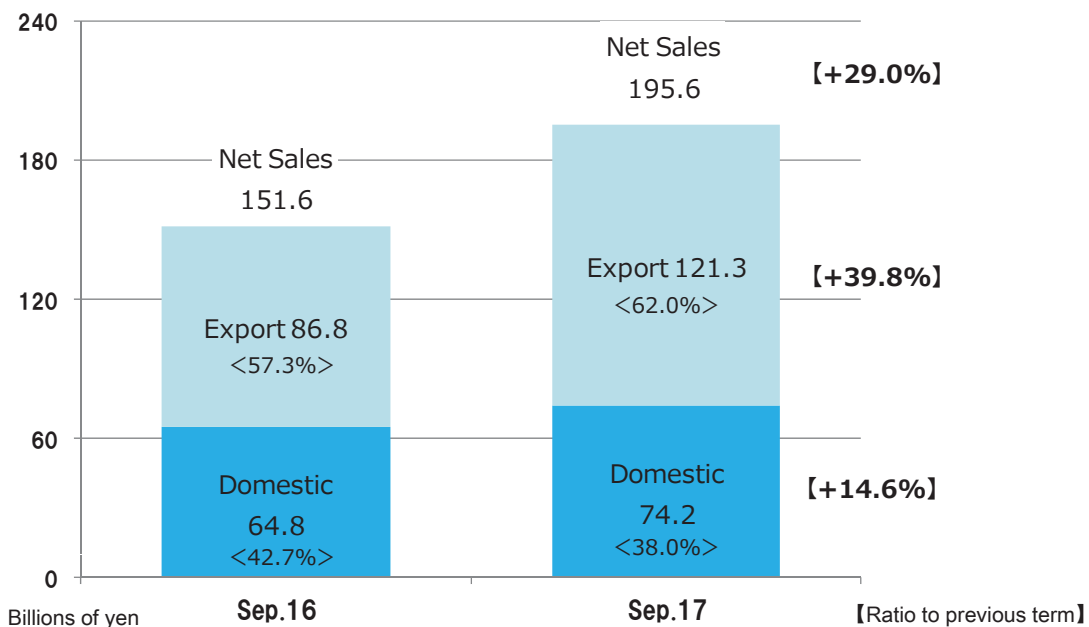
# Net sales(Consolidated)



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# Net sales(Non-Consolidated)



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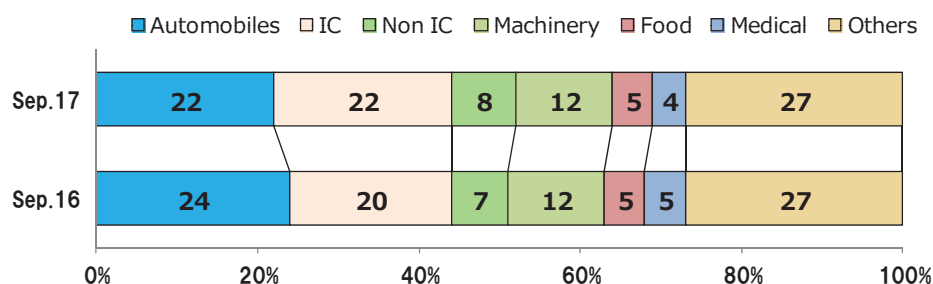
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# Domestic sales(Non-consolidated)

## Ratio to previous term

Automobiles	IC	Non IC	Machinery	Food	Medical	Others
+4%	+29%	+32%	+18%	+9%	+2%	+11%

## 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.

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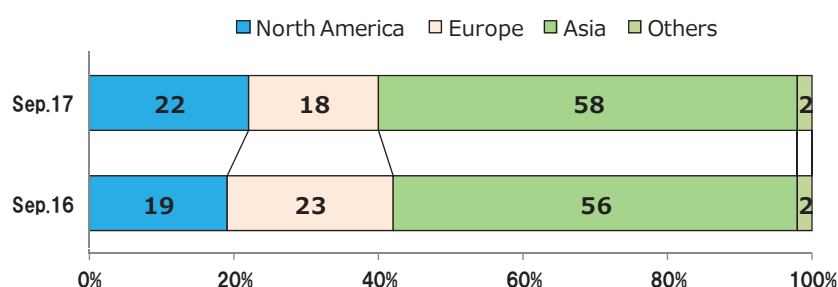
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# Export sales(Non-consolidated)

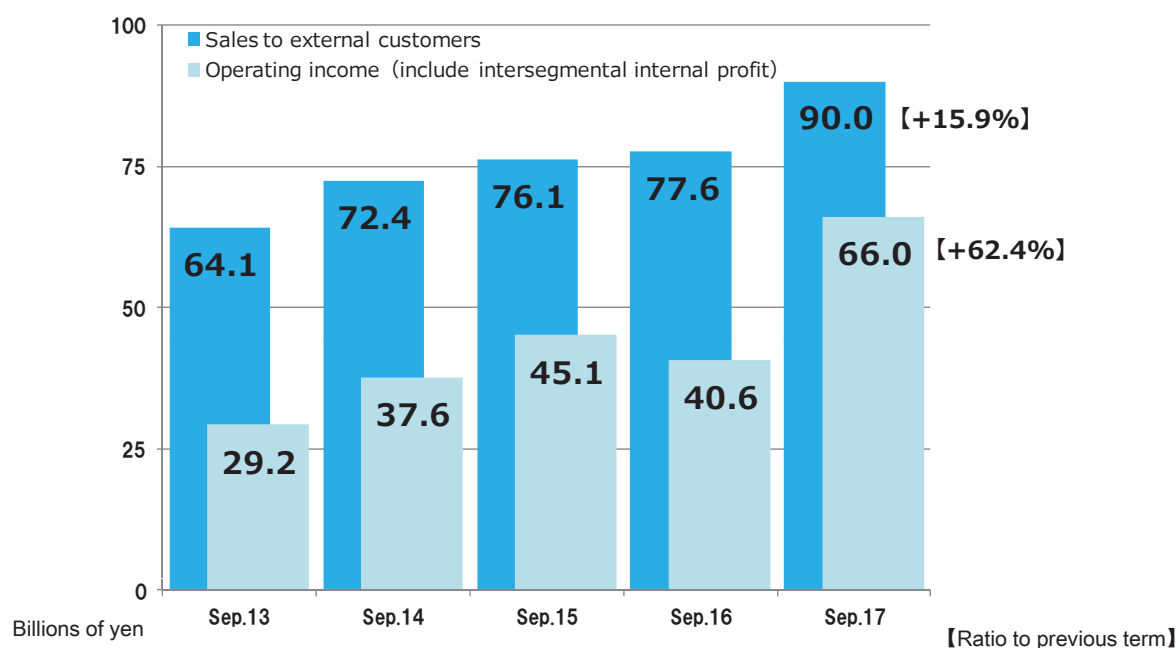
## Ratio to previous term

North America	Europe	Asia	Others
+62%	+12%	+44%	+11%

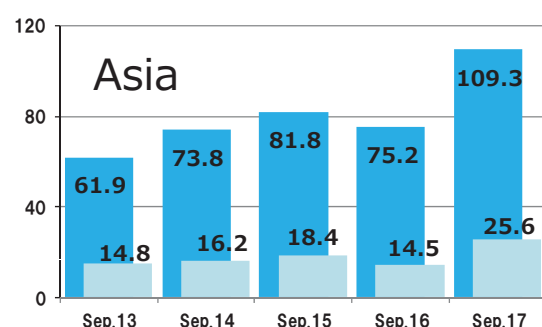
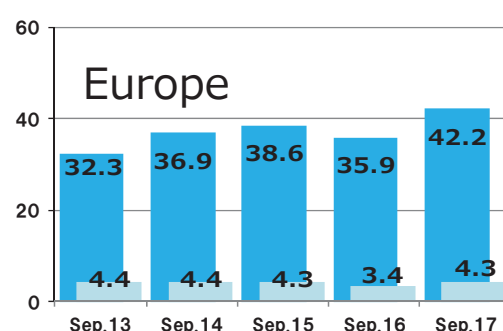
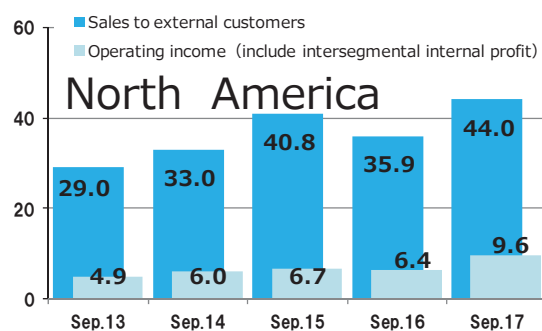
## Component ratio per zone



# Change in net sales & Operating income - Japan



# Change in net sales & Operating income - Overseas



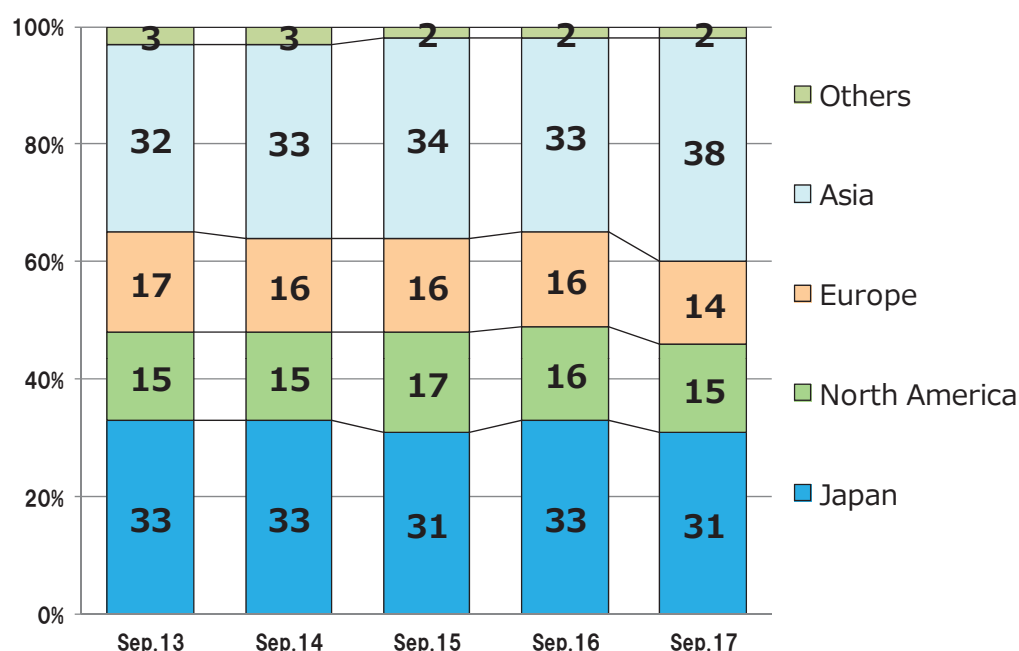
## Ratio to previous term

	North America	Europe	Asia
Sales to external customers	+22.5%	+17.5%	+45.3%
Operating income	+49.5%	+27.0%	+76.1%

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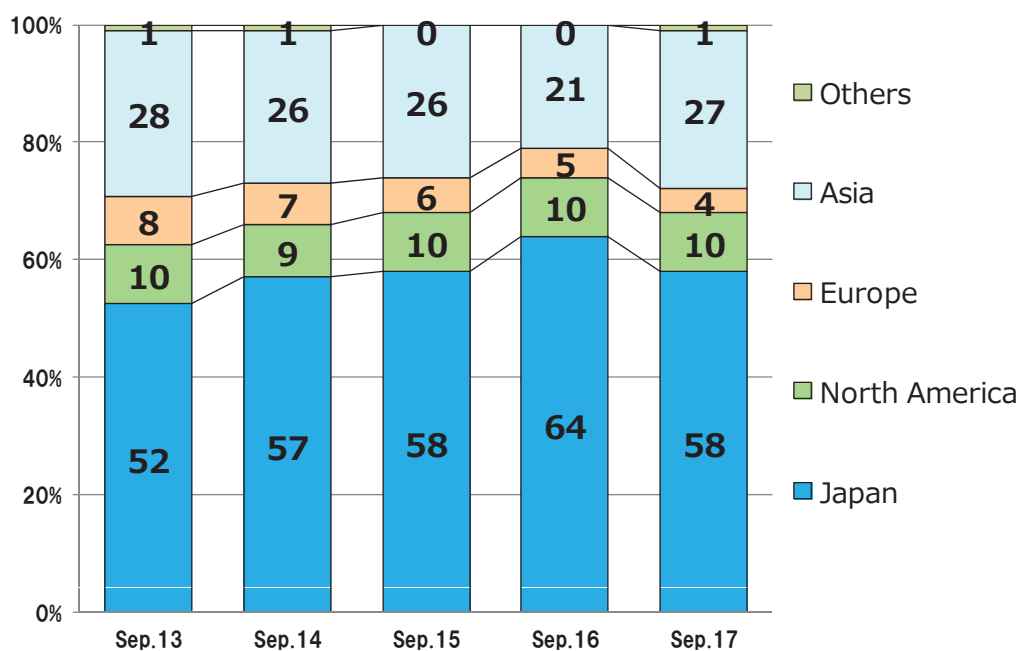
# Consolidated net sales -Component ratio per zone



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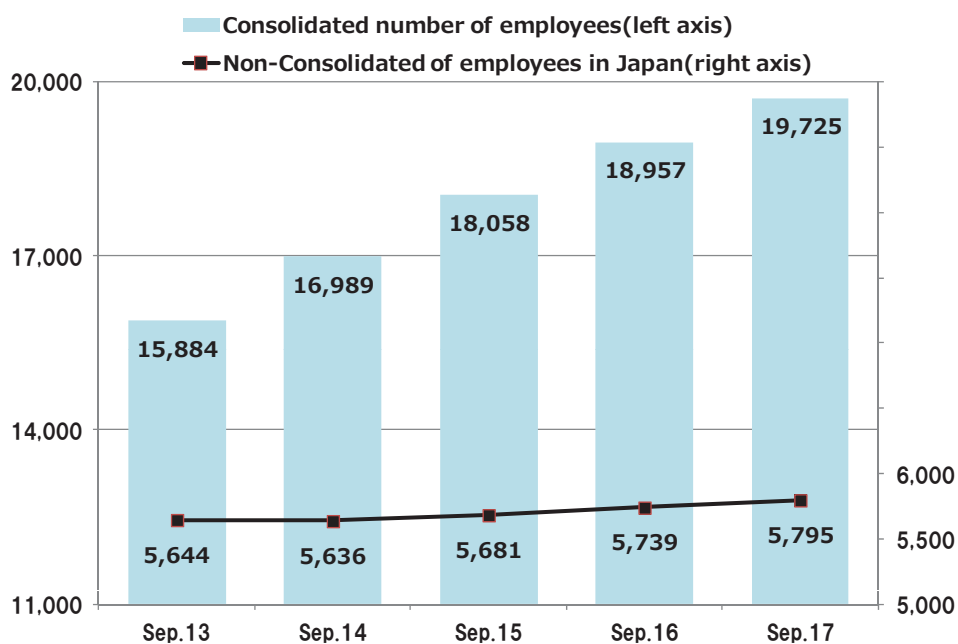
## Operating Income -Component ratio per zone



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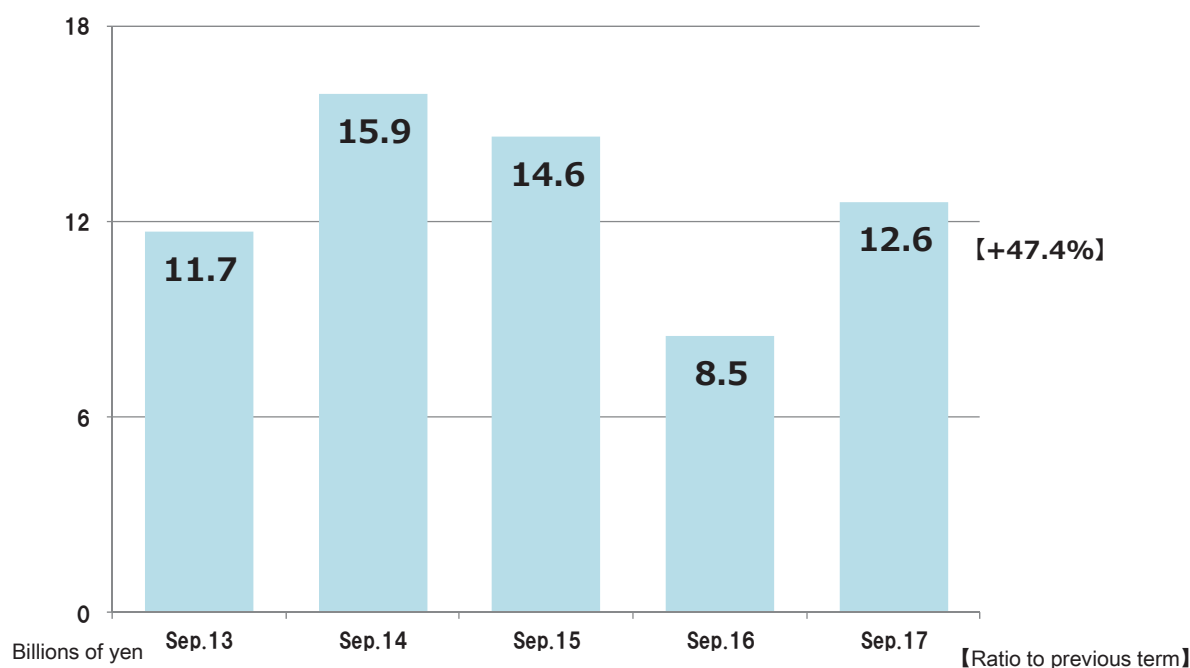
## Number of employees



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# Capital expenditures



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# Vietnam Factory construction



Factory1 (second construction)

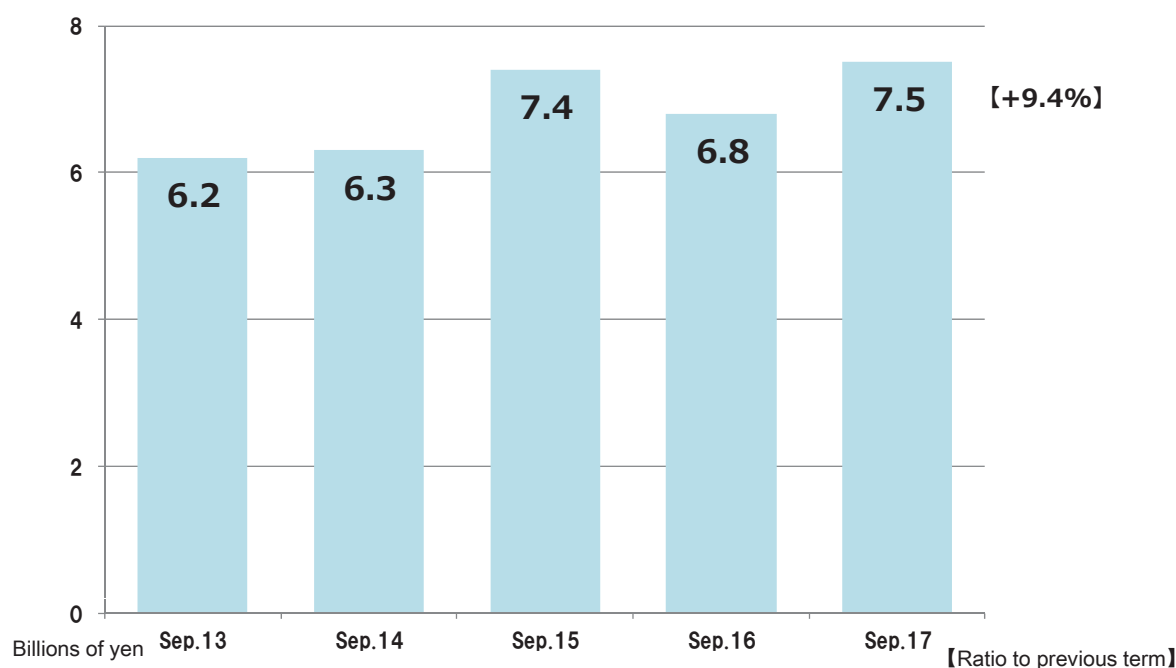


Factory2 (first construction)

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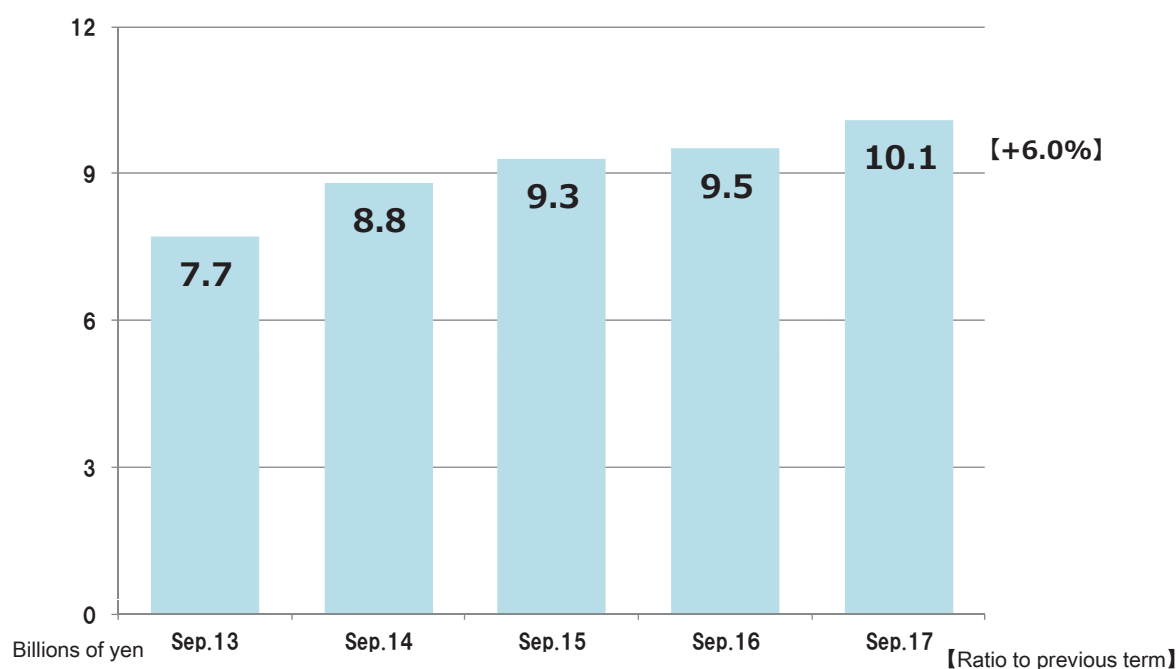
# Depreciation



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# Research & development expense



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# Consolidated financial statements forecast for the year ending March,2018

(Billions of yen)

	Mar.2017 Monetary value	Mar.2018 (Forecast) Monetary value	Ratio to previous term
Net sales	487.6	550.0	+13%
Domestic	159.7	171.0	+7%
Overseas	327.9	379.0	+16%
Operating income	141.1	170.0	+20%
Ordinary income	148.2	180.0	+21%
Profit attributable to owners of parent	113.0	130.0	+15%
Average Exchange rate(yen)			
US\$	108.38	110.00	+1%
EURO	118.79	126.00	+6%

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.

