

**Presentation of Financial Results  
for the Fiscal Year Ended  
March 31, 2019**

(Supplemental Material for Consolidated  
Financial Highlights)

May 17, 2019

**SMC Corporation**

# **FY18 Financial Results Conference**

## **For the 12 months ended on March 31, 2019**

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May 17, 2019

## **SMC Corporation**

Katsunori Maruyama, President

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## **FY18 Consolidated Financial Summary**

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- Orders in Europe kept firm tone. However, orders from the semiconductor production equipment decreased in reaction to the increase in the previous fiscal year, orders from the portable terminals, the automobiles and the machine tools related industry were sluggish in Japan, the US and Asia.
- Despite promoting rationalization, net sales and income decreased from the previous year mainly due to decrease in production.
- Net sales decrease: 2%, Operating income decrease: 6%, Ordinary income increase: 1%
- The annual dividend per share is 400 yen. (The term end dividend per share is 200 yen.)

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# FY18 Consolidated Financial Summary Part 1

	FY2017	FY2018	FY2018			
	Results	Plan	Results	Growth rate against Plan	year-on-year % change	FOREX rate impact
Net sales (Sales to external customers of overseas)	591.0 (402.8)	590.0 (400.0)	576.9 (388.0)	▲2% ▲3%	▲2% ▲4%	(▲5.2)
Operating income (Operating margin)	192.4 (32.6%)	188.0 (31.9%)	180.2 (31.2%)	▲4%	▲6%	(▲3.2)
Ordinary income	196.8	203.0	198.2	▲2%	+1%	(+5.4)
Profit attributable to owners of parent	136.8	140.0	130.6	▲7%	▲5%	
FOREX Rate(US\$)	¥110.85	¥110.00	¥110.92			
(€)	¥129.63	¥130.00	¥128.44			
Capital expenditures(tangible/intangible)	23.6	40.0	31.9	▲20%	+35%	
Depreciation expenses (tangible/intangible)	15.2	16.0	16.2	+2%	+7%	
R&D expenses	20.2	21.3	21.3	+0%	+6%	
(Unit: Billions of yen)						
The annual dividend per share	400 yen		400 yen			

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# FY18 Consolidated Financial Summary Part 2

	FY2017	FY2018			
	Results	Results	year-on-year % change	Change	Change excluding effects of FOREX rates
Net asset value	1,150.4	1,243.2	+8%	+92.8	(+100.9)
Current assets (of which: Inventories)	939.9 (205.6)	967.9 (230.2)	+3% (+12%)	+28.0 (+24.6)	(+36.6) (+25.7)
Fixed assets	402.9	421.3	+5%	+18.4	(+19.7)
Equity ratio	85.4%	89.3%		+3.9%	+3.8%
Equity per share	17,067 yen	18,447 yen	+8%	+1,380 yen	(+1,501 yen)
Term end FOREX rate(US\$)	¥106.27	¥111.01			
(€)	¥130.58	¥124.56			

(Unit: Billions of yen)

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# SMC Market Share Trend (SMC Estimation)

- ◆ Point: The market share in Japan and Asia has come to a standstill due to decrease in demand for the semiconductor equipment and the portable terminals industry.

	'14	'15	'16	'17	'18
Rate(¥/\$)	(109.76)	(120.14)	(108.38)	(110.85)	(110.92)
Japan	65	65	65	65	65
North America	22	23	24	25	26
Europe	20	20	20	21	22
Asia/Oceania	46	46	47	48	47
Global Total	33	34	35	36	37
Global Total(¥\$:110.92)	33	34	35	36	37

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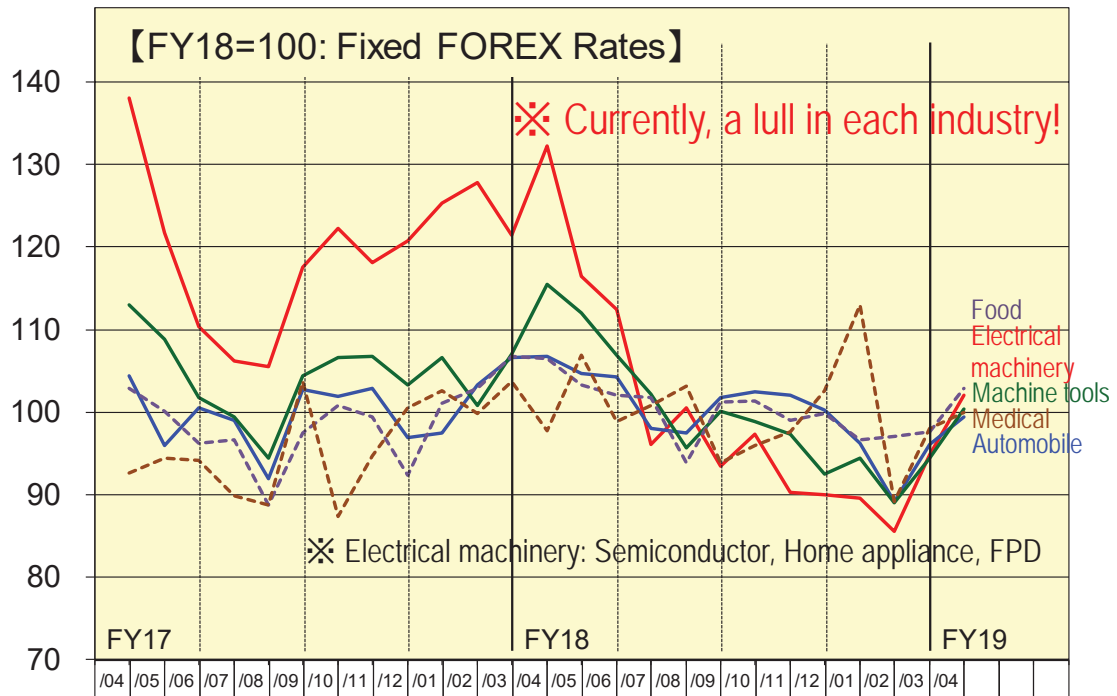
# Current Order Situation (FY18=100)

## 【Fixed FOREX Rates】

		FY18	'18/3Q	'18/4Q	'19/04	'19/04 situation
Consolidated	Electrical machinery	100	93	90	102	Recovering tendency in Asia
	Automobile	100	102	94	99	Firm tone in Japan and Asia
	Machine tools	100	96	93	100	Firm tone in the US and Asia
	Food	100	100	97	103	Firm tone in Asia
	Medical	100	99	100	100	Firm tone in China
	Other	100	99	100	99	
Japan		100	98	95	93	A lull in the semiconductor, firm tone in the automobile industry
North America		100	96	102	98	A lull in the semiconductor and the automobile industry
Europe		100	101	102	97	Weakening in all industries
Asia & Oceania		100	95	91	108	Recovering tendency in the electrical machinery industry
Consolidated		100	97	96	100	

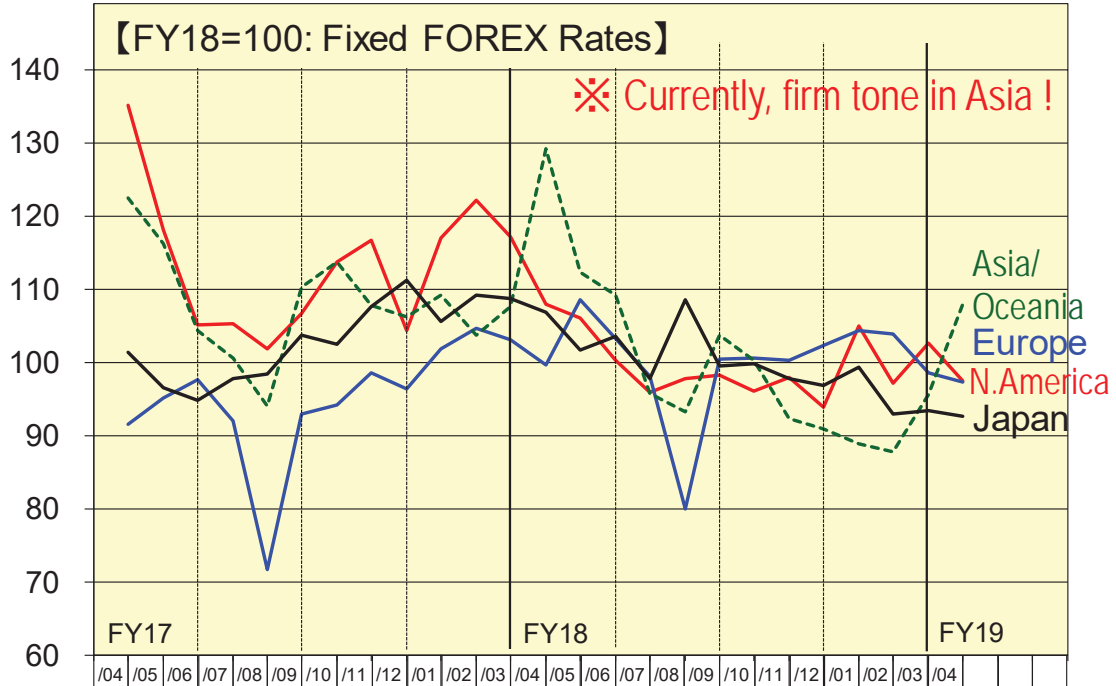
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## Consolidated Orders Trend By Industry (FY18=100)



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## Consolidated Orders Trend By Region (FY18=100)



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# Pneumatic Demand Environment

★ Trade friction has escalated, involving a struggle for technological supremacy!

## 【Points to note】

- 【1】 The global basis competition has become pluralistic.  
The new production bases establishment  
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 request for environment friendly products  
The current towards Electric Vehicles  
Energy-saving, resource-saving, space-saving products

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# Focused Measures for the FY19

★ We will expect the stable growth in the pneumatic demand against the background of declining birthrates and labor shortage in the advanced countries!

- 【1】 Accelerate establishing production bases in the stable regions and reinforcing the global supply chain
- 【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

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# Premises for FY19 Financial Forecasts

- 【1】 Regarding domestic and foreign demand, we expect the semiconductor related industry will recover after the 2nd half. We will increase investment for future growth, observing the impact of trade friction!
- 【2】 We assume the FY19 full year FOREX rate to be (JPY/USD=110, JPY/EUR=125), the same as the current level.



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## FY19 Financial Forecasts

	FY2017	FY2018	FY2019
	Results	Results year-on-year % change	Forecasts year-on-year % change FOREX rate impact
Net sales (Sales to external customers of overseas)	591.0 (402.8)	576.9 (388.0) ▲2% ▲4%	550.0 (380.0) ▲5% ▲2% (▲3.2)
Operating income (Operating margin)	192.4 (32.6%)	180.2 (31.2%) ▲6%	160.0 (29.1%) ▲11% (▲1.9)
Ordinary income	196.8	198.2 +1%	165.0 ▲17% (▲4.8)
Profit attributable to owners of parent	136.8	130.6 ▲5%	115.0 ▲12%
FOREX Rate(US\$)	¥110.85	¥110.92	¥110.00
(€)	¥129.63	¥128.44	¥125.00
Capital expenditures(tangible/intangible)	23.6	31.9 +35%	49.0 +53%
Depreciation expenses (tangible/intangible)	15.2	16.2 +7%	18.1 +11%
R&D expenses	20.2	21.3 +6%	22.0 +3%
(Unit: Billions of yen)			
The annual dividend per share	400 yen	400 yen	

※ We will acquire own shares with the upper limit of 700 thousand shares or 30 billion yen.

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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 from now on.
- 【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.

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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 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.

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# Fiscal Year 2018 Results

## SMC Corporation

**Ikuji Usui,**  
**Director and Senior**  
**Managing Executive**  
**Officer**

**May 17, 2019**

SMC Corporation May 17, 2019

# Consolidated Financial Highlights

	Mar.2018		Mar.2019			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Increase/decrease	Ratio to previous term
Net sales	<b>591.0</b>		<b>576.9</b>		-14.0	-2.4%
Cost of sales	<b>286.3</b>	48.5%	<b>280.1</b>	48.5%	-6.2	-2.2%
Gross profit	<b>304.6</b>	51.5%	<b>296.8</b>	51.5%	-7.8	-2.6%
Selling, general & administrative expenses	<b>112.2</b>	19.0%	<b>116.6</b>	20.2%	4.4	3.9%
Operating Profit	<b>192.4</b>	32.6%	<b>180.2</b>	31.2%	-12.2	-6.4%
Ordinary Profit	<b>196.8</b>	33.3%	<b>198.2</b>	34.4%	1.3	0.7%
Profit attributable to owners of parent	<b>136.8</b>	23.2%	<b>130.6</b>	22.6%	-6.2	-4.6%
Exchange rate(yen)					(Billions of yen)	
Average	US\$	110.85	<b>110.92</b>			
	EUR	129.63	<b>128.44</b>			
	CNY	16.73	<b>16.53</b>			
End of the fiscal year	US\$	106.27	<b>111.01</b>			
	EUR	130.58	<b>124.56</b>			
	CNY	16.92	<b>16.48</b>			

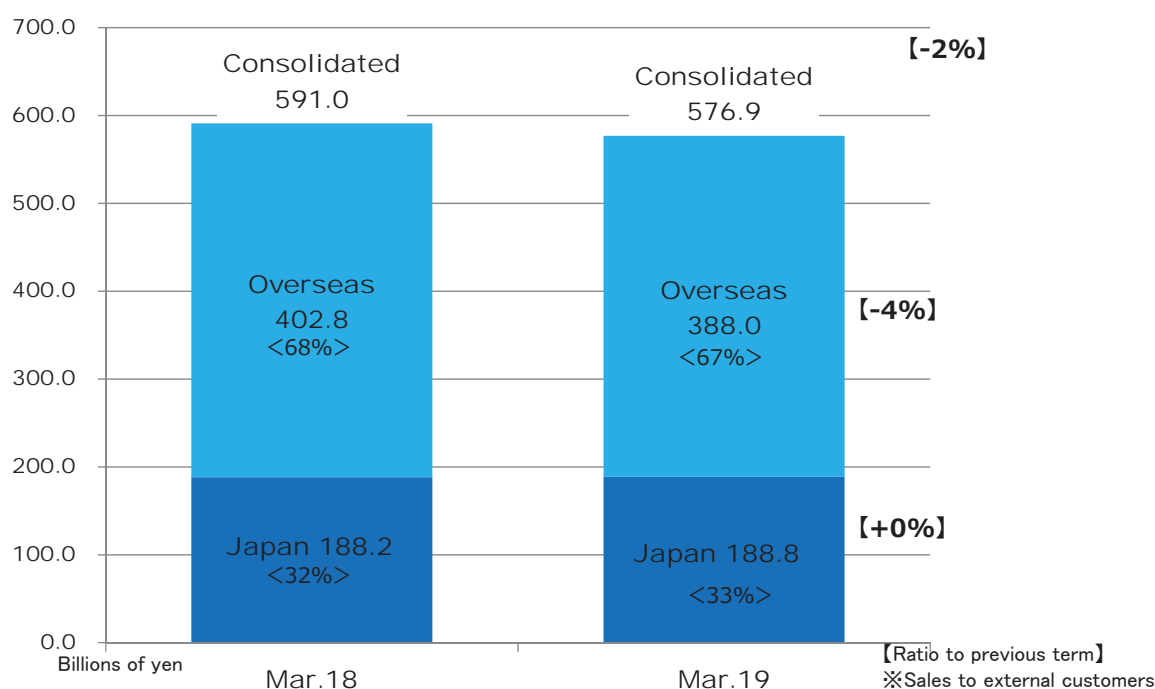
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# Profit

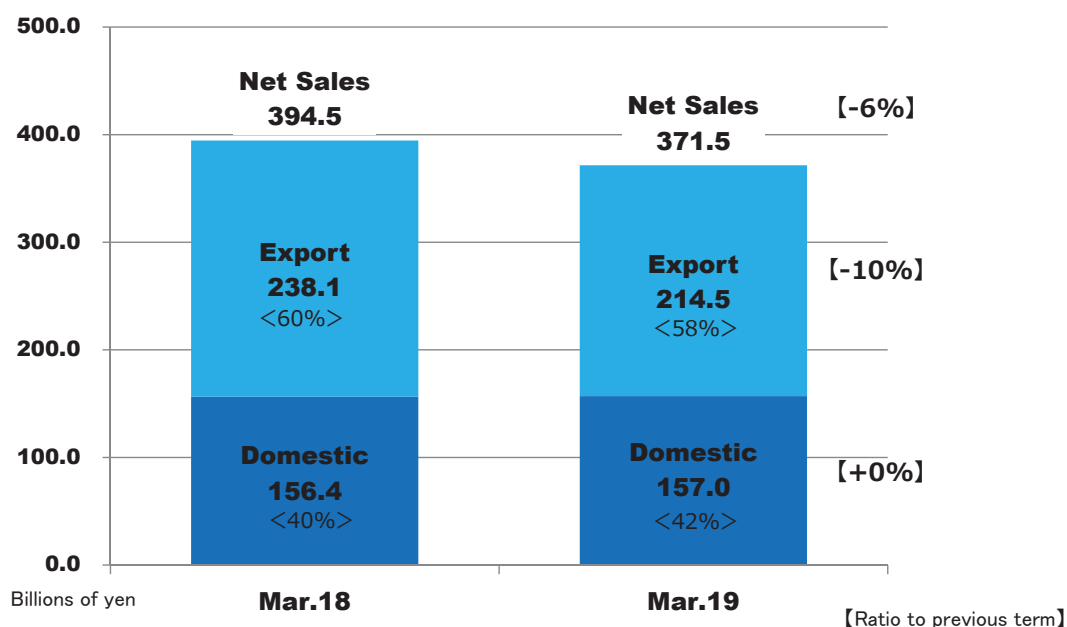
	Mar.2018		Mar.2019			
	Amount	Ratio to net sales	Amount	Ratio to net sales	Increase/decrease	Ratio to previous term
Operating Profit	192.4	32.6%	180.2	31.2%	-12.2	-6.4%
Non-Operating income	11.7	2.0%	18.7	3.3%	6.9	59.4%
Foreign exchange gains	-		2.8		2.8	-
Non-Operating expenses	7.3	1.2%	0.7	0.1%	-6.5	-89.4%
Foreign exchange losses	6.0		-		-6.0	-
Ordinary Profit	196.8	33.3%	198.2	32.4%	1.3	0.7%
Extraordinary income	0.2	0.0%	0.3	0.1%	0.1	31.7%
Extraordinary losses	1.0	0.2%	1.4	0.3%	0.4	40.7%
Profit before income taxes	196.0	33.2%	197.0	34.2%	1.0	0.5%
Profit attributable to owners of parent	136.8	23.2%	130.6	22.6%	-6.2	-4.6%

(Billions of yen)

# Net sales (Consolidated)



# Net sales (Non-Consolidated)



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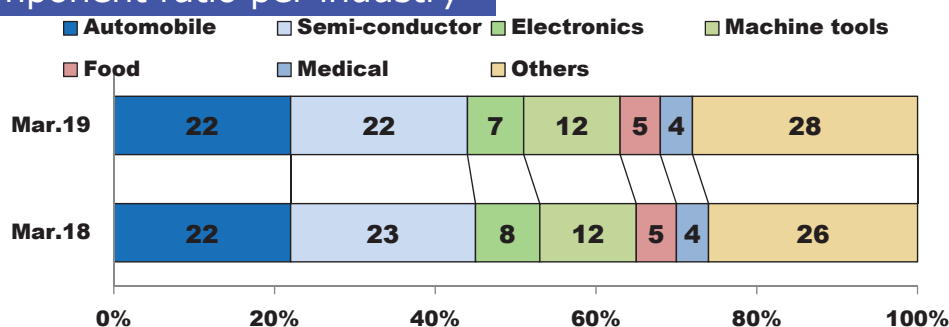
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# Sales by industry (Non-consolidated)

## Ratio to previous term

	Automobile	Semi-conductor	Electronics	Machine tools	Food	Medical	Others
Mar.19	+5%	-6%	-13%	+1%	+1%	+1%	+7%
Mar.18	+8%	+34%	+28%	+19%	+7%	+13%	+12%

## Component ratio per industry



★ Sales figures of previous year by industry sector are subject to change without notice due to these sectors may be reviewed at any time.

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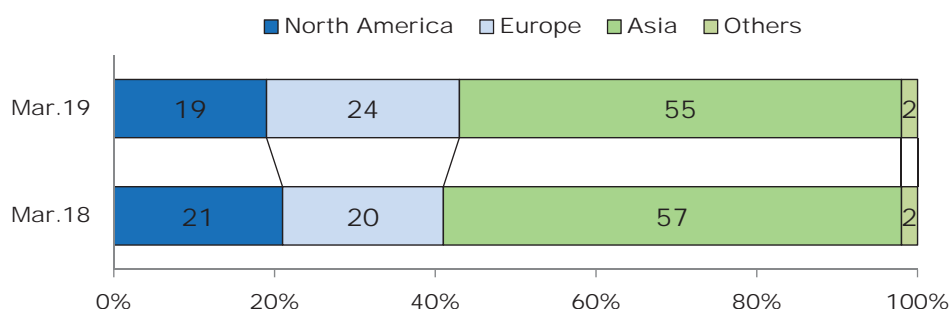
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# Export sales (Non-consolidated)

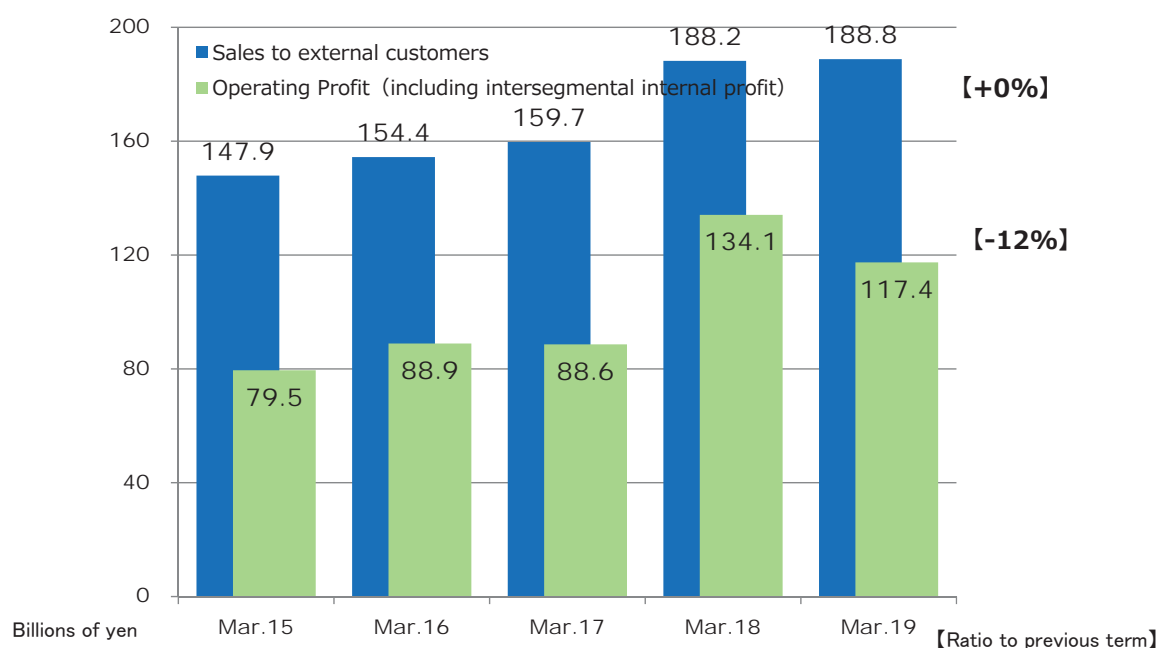
## Ratio to previous term

	North America	Europe	Asia	Others
<b>Mar.19</b>	-20%	+9%	-13%	+9%
<b>Mar.18</b>	+51%	+20%	+29%	+10%

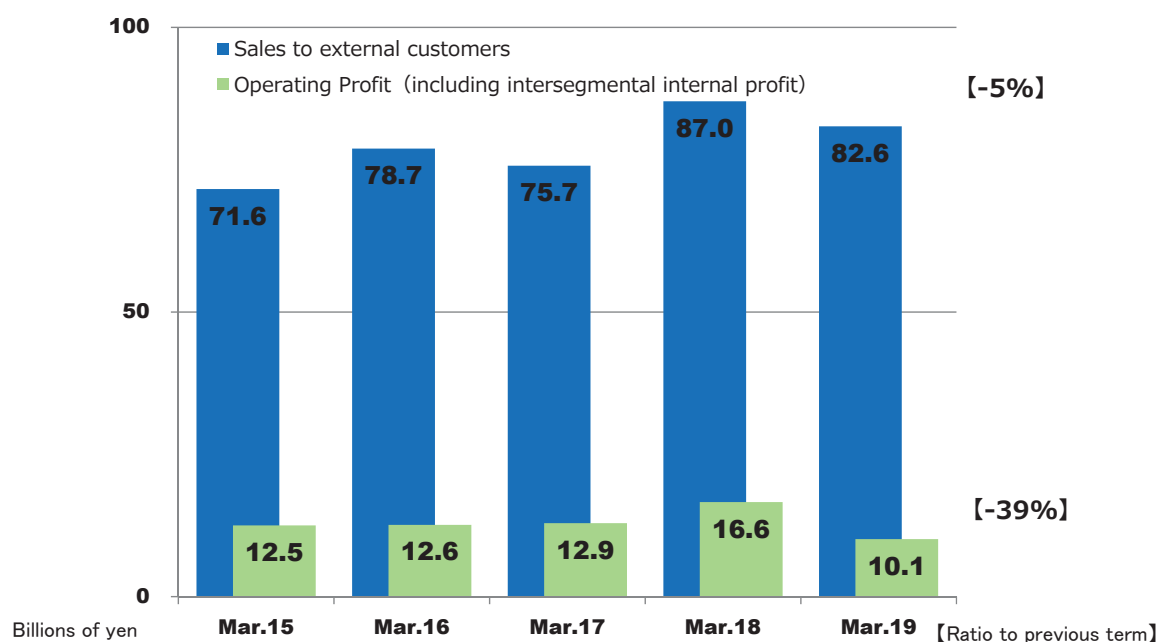
## Component ratio per zone



# Change in net sales & Operating Profit – Japan



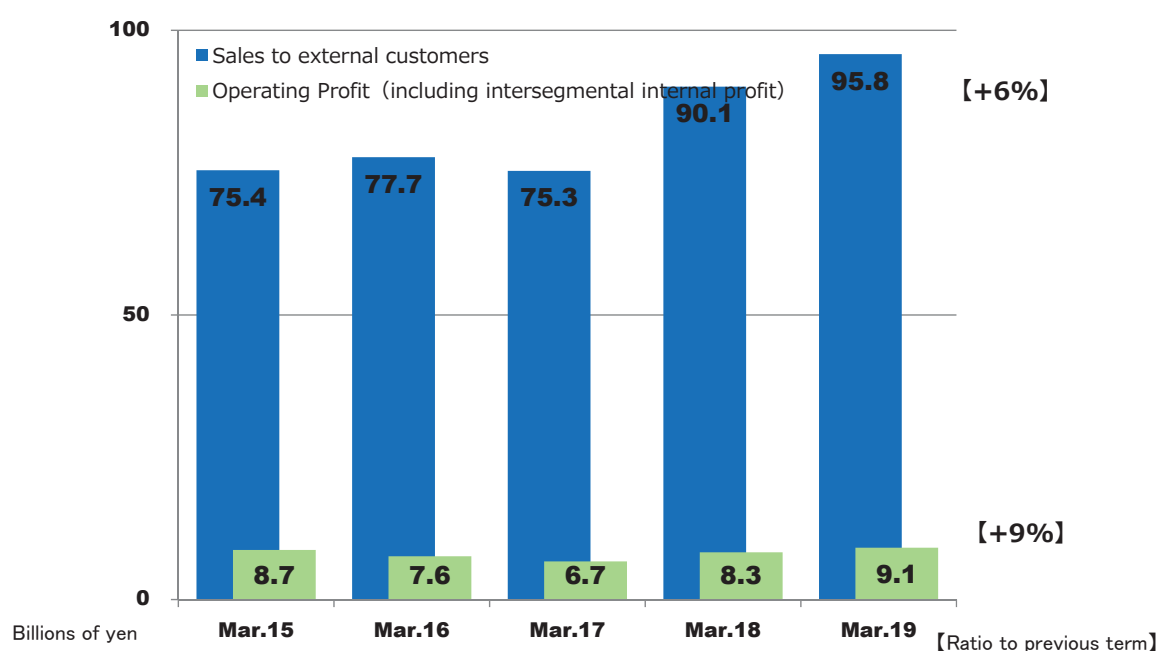
## Change in net sales & Operating Profit – North America



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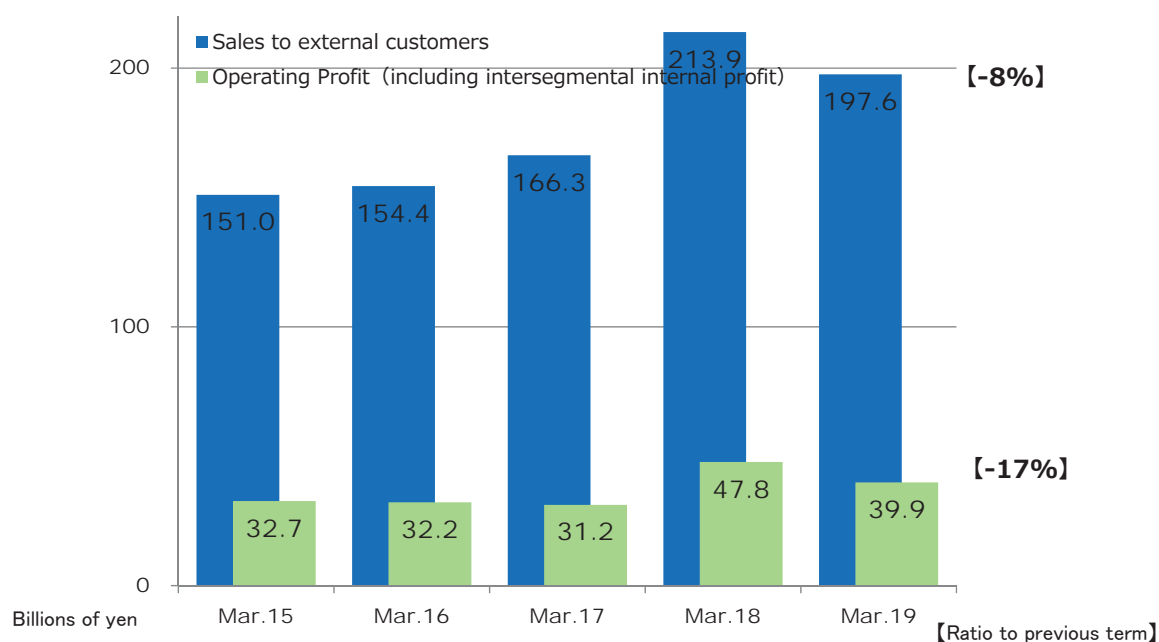
## Change in net sales & Operating Profit – Europe



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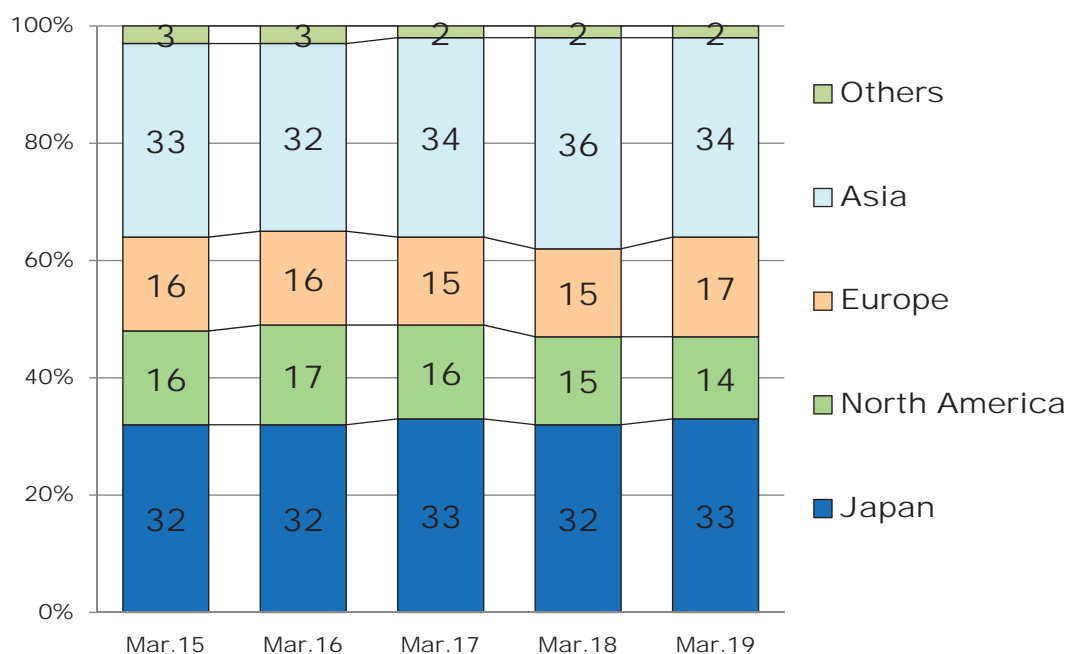
## Change in net sales & Operating Profit – Asia



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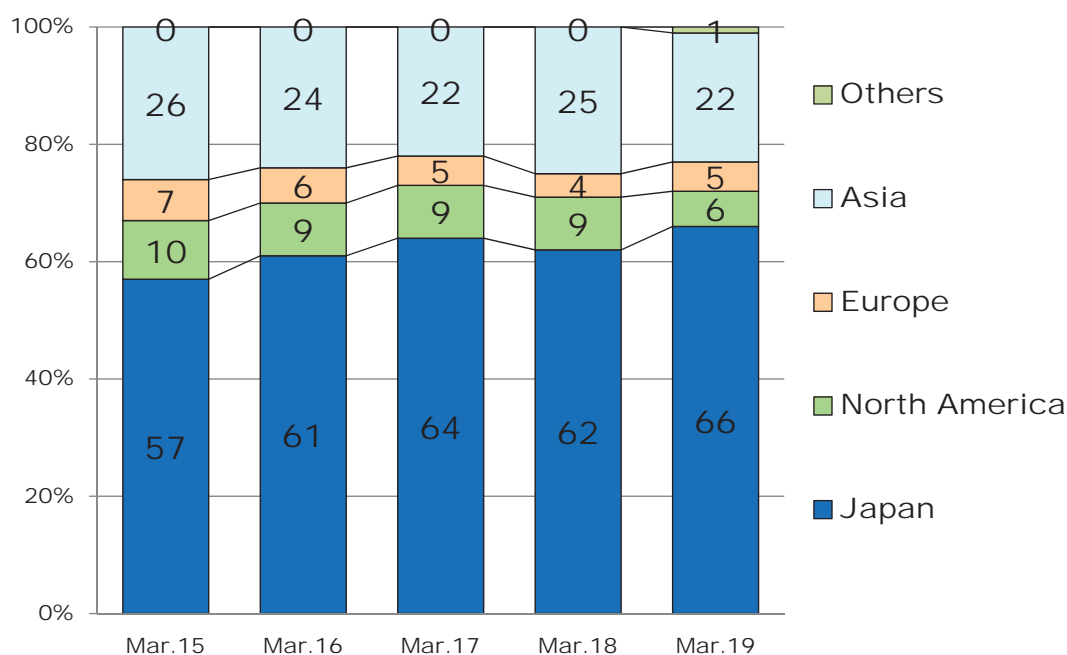
## Net sales – Component ratio per zone



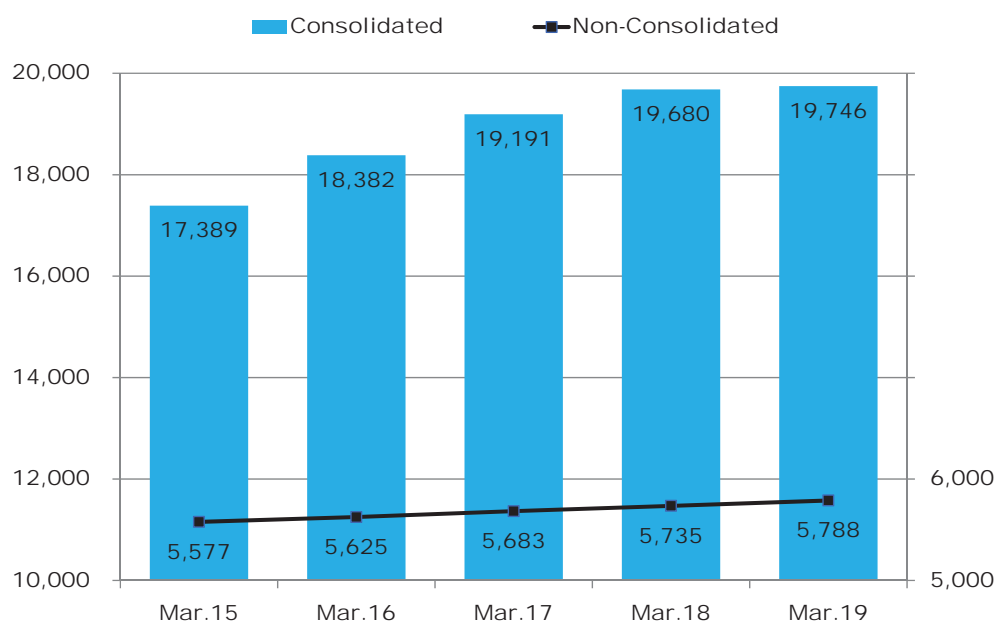
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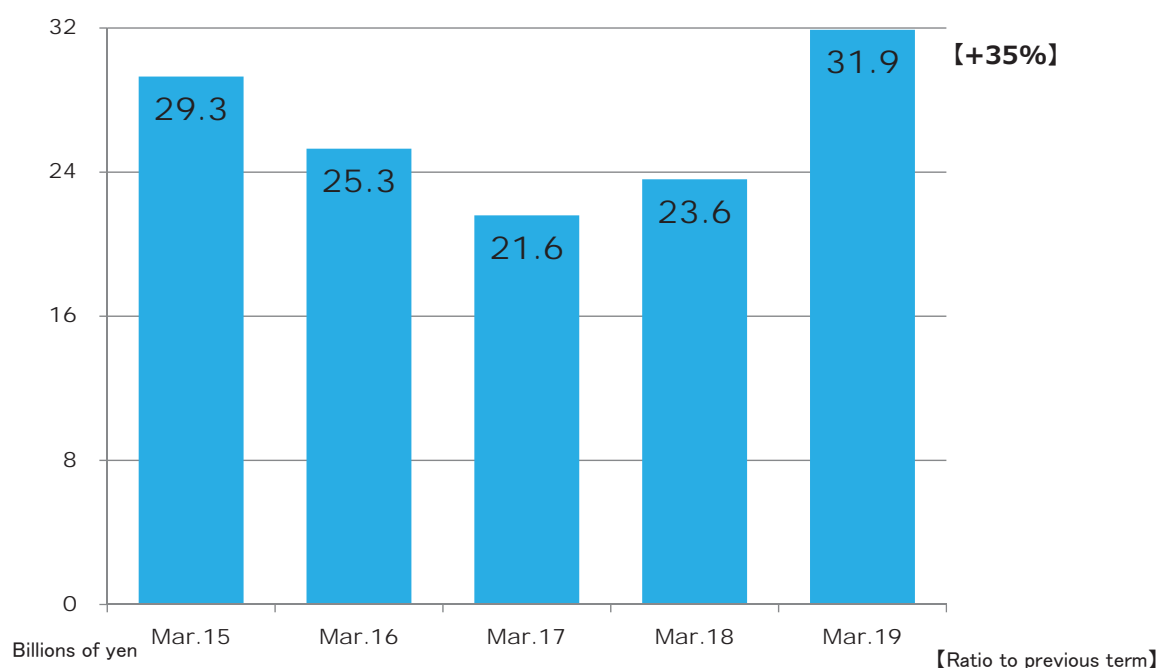
## Operating Profit – Component ratio per zone



## Number of employees



## Capital expenditures



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## Major capital investment projects



Vietnam Factory#2 (second phase construction)



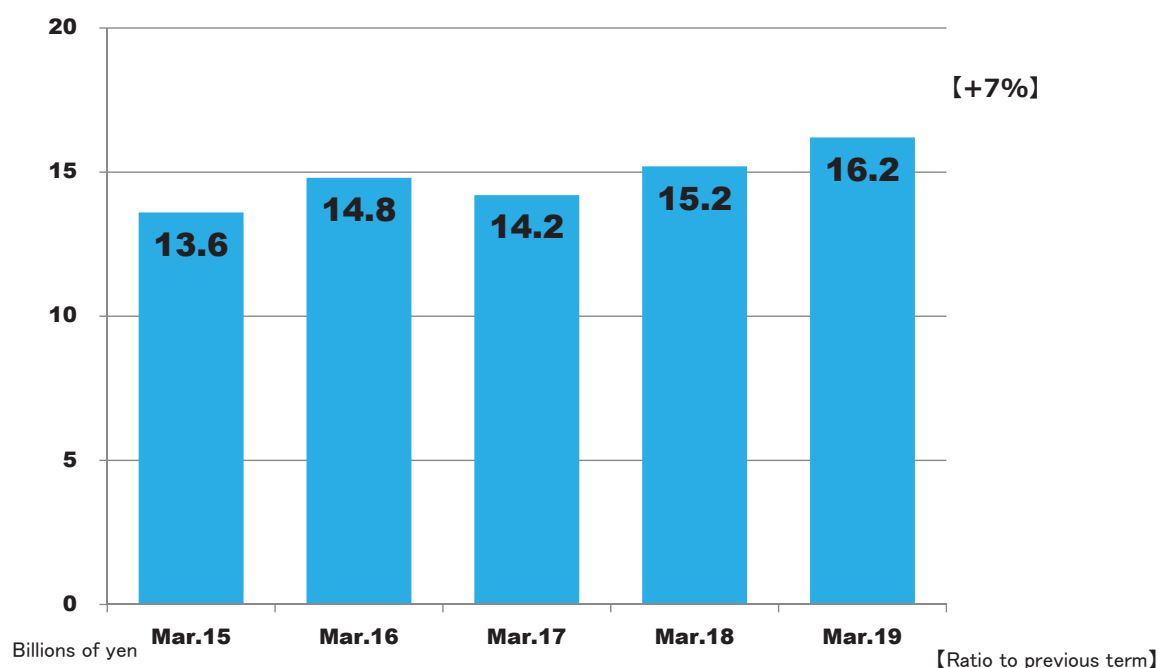
Tianjin Factory (first phase construction)

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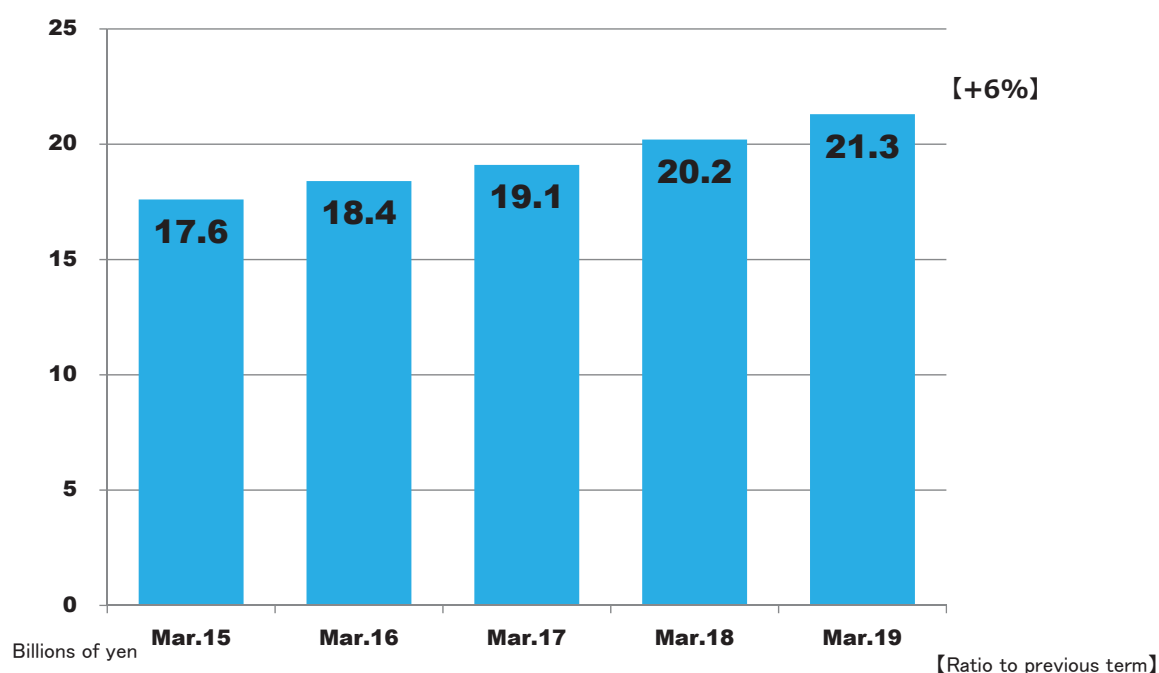
# Depreciation



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# R & D expenses



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# Consolidated financial forecasts for the year ending March, 2020

	Mar.2019 Amount	Mar.2020 (Forecast) Amount	Ratio to previous term
Net sales	576.9	550.0	-5%
Sales to external customers of domestic	188.8	170.0	-9%
Sales to external customers of overseas	388.0	380.0	-2%
Operating Profit	180.2	160.0	-11%
Ordinary Profit	198.2	165.0	-17%
Profit attributable to owners of parent	130.6	115.0	-12%
Average Exchange rate(yen)			
US\$	110.92	110.00	-1%
EUR	128.44	125.00	-3%
CNY	16.53	16.50	+0%
Capital expenditures	31.9	49.0	+53%
Depreciation	16.2	18.1	+11%
R&D expenses	21.3	22.0	+3%

(Billions of yen)

This report contains “forward-looking” statements which compiled based on the information available as of today, that they are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations.

We assume no obligation to update any of these forward-looking statements.

