

**Presentation of Financial Results
for the Fiscal Year Ended
March 31, 2022**

(Supplemental Material for Consolidated
Financial Highlights)

May 17, 2022

SMC Corporation

Presentation of Financial Results for the year ended March 31, 2022

May 17, 2022
SMC Corporation

Yoshiki Takada, President

Supporting Automation



FY2021 Summary

- ✓ Achieved record high for Sales and OP due to increase of sales quantity and positive forex change
- ✓ Normalized from Covid-19 and CAPEX recovered globally
- ✓ Strong demand for Semiconductor and battery
- ✓ Continued supply chain disruption especially for electric parts including semiconductor
- ✓ Aggressive Capex (83.4 bil yen, tripled last year)
- ✓ Annual dividend : 750 yen / share (up 50%)
- ✓ Total return ratio : 50% including share buyback 50 bil yen

(Billion Yen)	FY2020		FY2021		YoY	
	Result		Result			
	Amount	vs Sales	Amount	vs Sales		
Net sales	552.1		727.3		175.2	31.7%
Cost of sales	286.3	51.9%	363.5	50.0%	77.2	27.0%
Gross profit	265.8	48.1%	363.8	50.0%	97.9	36.9%
SG&A	112.4	20.3%	135.9	18.7%	23.4	20.9%
Operating profit	153.3	27.8%	227.8	31.3%	74.5	48.6%
Ordinary profit	171.8	31.1%	272.9	37.5%	101.1	58.9%
Net profit	121.7	22.1%	192.9	26.5%	71.2	58.5%
Average exchange rate						
USD	106.12		112.39		+6.27	5.9%
EUR	123.72		130.55		+6.83	5.5%
CNY	15.67		17.51		+1.84	11.7%
CAPEX	27.4		83.4		56.0	204.3%
Dividend / share (yen)	500		750		250	50.0%
Dividend Amount	33.1		49.2		16.1	48.6%
Dividend Ratio	27.2%		25.5%		-1.7%	-6.2%
Buyback	28.5		50.0		21.5	75.4%
Total Return Ratio	50.6%		51.4%		0.8%	1.6%

FY2022 Guidance



- ✓ Forecasting record high sales and profit as demand continue solid and favorable forex trend
- ✓ Strong demand for semiconductor and battery is expected to continue
- ✓ Risk factor is supply chain disruption continue especially for electric parts including semiconductor
- ✓ Aggressive capex to expand production capacity for supporting sales growth and BCP (Business Continuity plan) of production bases (120 billion yen, up 40%)
- ✓ Dividend : 900 yen / share (up 150yen, 20%)
-Balance business growth and shareholder return

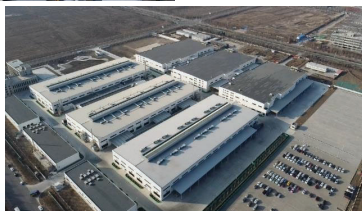
(Billion Yen)	FY2021 Result		FY2022 Forecast		YoY	
	Amount	vs Sales	Amount	vs Sales		
Net sales	727.3		805.0		77.6	10.7%
Operating profit	227.8	31.3%	255.0	31.7%	27.1	11.9%
Net profit	192.9	26.5%	188.0	23.4%	-4.9	-2.6%
Average exchange rate						
USD	112.39		123.00		+10.61	9.4%
EUR	130.55		133.00		+2.45	1.9%
CNY	17.51		18.50		+0.99	5.7%
CAPEX	83.4		120.0		36.6	43.9%
Dividend / share (yen)	750		900		+150	20.0%

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Acceleration on CAPEX



East Japan Logistics Center



Tianjin Factory



Shimotsuma No.2 Factory

(Billion Yen)			FY2021	FY2022
			Actual	Plan
For Production				
Domestic	Shimotsuma		6.4	16.2
	Kamaishi		1.7	9.0
	Tono		1.8	8.4
	Others		1.3	12.5
	Sub Total		22.8	46.1
Overseas	SMC China		10.2	20.0
	Vietnam Mfg.		1.8	12.2
	Singapore Mfg.		1.3	1.8
	SMC India		0.3	0.8
	Others		1.4	1.4
Sub Total		15.1	36.2	
HQ / Development/ Sales / Logistics				
Domestic	New HQ		30.0	4.0
	Land for R&D Center		6.2	6.1
	Logistics Center (East & West)			6.1
	Others		0.6	2.8
Sub Total		36.8	19.0	
Overseas	SMC Germany		2.7	5.9
	SMC US		2.1	1.6
	SMC Spain		1.4	
	SMC Korea		0.4	3.7
	SMC Turkey		0.3	1.1
	SMC Thailand			1.0
	Others		1.8	5.3
Sub Total		8.7	18.7	
Total			83.4	120.0

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Our Strengths



Business Environment

1. Geopolitical Risks
 - Intensified US China conflict
 - Russian invasion of Ukraine
2. Natural Disasters and Pandemic
 - Abnormal Climate, Earthquake, Covid-19
3. Reduction of GHG emission
 - Required to tackle throughout supply chain, production line

Supply Chain disruption / Inflation

1. Material Cost Increase
 - Oil, Copper, Aluminum
2. Supply chain disruption
 - Semiconductor, resin material
3. Logistics disruptions
 - Logistics price increase

Our Strengths

Competitive and wide range of products

- Smaller, light weight, high durability
- Total factory energy-savings proposal
- One-stop product supply

Global sales force to win sales from all angles

- Apprx. 7,000 salesforce in 80+ countries
- Wide range of specification proposals

Multi- location of production and logistics routes, IT security

- BCP initiatives including supply chain
- Data security and multi-data storage

Unrivaled high production capability and abundant stock

- Constant production expansion
- Abundant stock for short leadtime

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Strategy-1 : Expanding and enforcing supply capability



1. Expanding supply capability

- Accelerate new factory operation, multi-locate production from BCP perspectives
 - Expand production capacity in Shimotsuma, Tono, and Kamaishi
 - Accelerate production expansion in Tianjin and Vietnam
- Promote automation and DX in production, transform factory to "showroom"
- Initiate technical BCP by expanding global technical centers, further enhance global production quality

2. Constructing supply chain infrastructure

- Expand procurement capability
 - Raise supplier's production capability (Tono supplier park) and BCP initiative levels
 - Multi-locate procurement and source new suppliers globally
- Constructing logistics infrastructure
 - Logistic centers in east and west of Japan, automating and DX warehouses
 - Improve sales infrastructure (warehouse and custom-made plants) in regions with growing sales for further competence.

3. Establish a sustainable product supply capability including IT infrastructure

- Initiate BCP including security on the system infrastructure
 - Reputation that SMC is the most reliable supplier that does not stop production / supply

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Strategy-2 : Innovative products and direct sales force



1. Develop and sell “game-changer” innovative products

- Factory management with energy saving products + DX collaboration:
Capture sales from all angles by Air Management System
- Superior features of pneumatic within robot industry
(light weight, high power, less heat generation): Small size compressor

2. Top management sales: Energy saving, DX, BCP

- Top management sales to large size customers
- Supply products to customers in series instead of in units cross the board.

3. Demand acquisition with direct salesforce

- 360° approach to multinational customers, acquire enduser specifications (Global contract)
- Expand specification success stories in globe, capture No.1 OEM manufacturer demand, use its effect to capture No.2 and below.
- Expand sales opportunities with information from customers’ suppliers / subcontractors (Linkage)

4. Diversification of users

- Acquisition of demand with low sales composition: Food, medical, water, agriculture, etc.
- Determination on new sales route : OEM, distributors, etc. with strong presence in specific industries

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Tono Supplier Park



Domestic BCP base in Tono, Iwate prefecture

For enhancement of parts procurement in Japan

Establishment of integrated / speedy production system in coordination with domestic parts suppliers

- Invite major suppliers to Tono area to make it possible to produce important parts in consideration of BCP
- Collaborate with suppliers to realize DX of production and for short delivery time

Expansion of production capacity for major parts

- Expand production capacity of suppliers by investment in Tono area

Enhancement of BCP throughout our supply chain

- Reduce burden of each suppliers’ management of BCP
- Multiple production bases for suppliers not to stop production of parts
- Assist other suppliers to enhance BCP measures

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Outline of Tono Supplier Park-1



West area of SMC Tono factory(178,000 m²)

- Suppliers building : Production lines of many kind of parts
- Warehouse building : Storing material and finished goods for suppliers
- Common building : Common use of production related facilities, Employees' welfare facilities, Contribution to local society by collaboration with local government / companies, Promotion of "Monodukuri"

Start operation in full scale in spring 2025

From spring 2023, partly start operation by utilizing part of Tono no.2 factory



Appearance Image

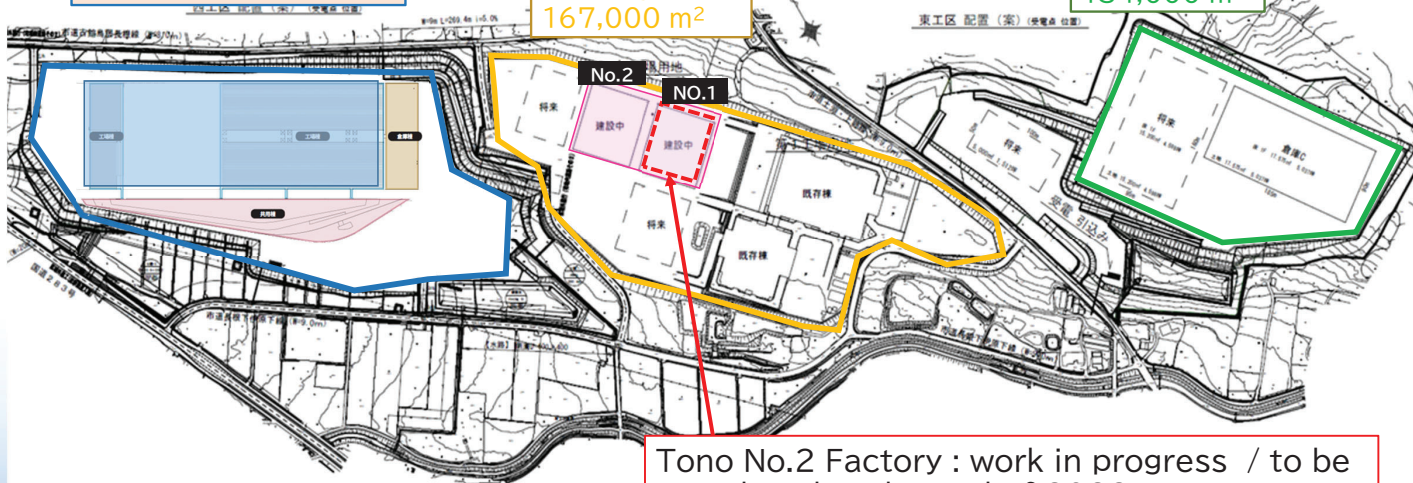
Outline of Tono Supplier Park-2



Supplier Park
(West area:178,000m²)

Existing area
167,000 m²

East area
134,000 m²



Tono No.2 Factory : work in progress / to be completed at the end of 2022

※Temporarily utilize no.1 building for suppliers

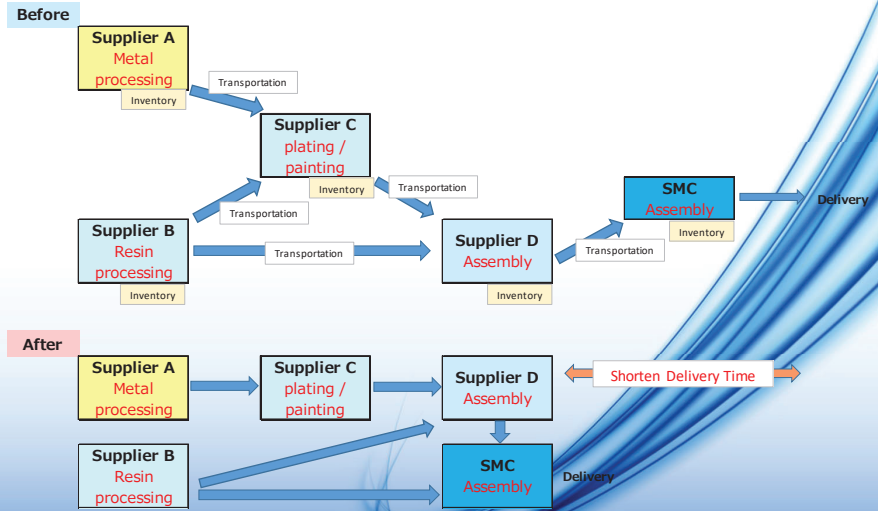
Outline of Tono Supplier Park-3



Enhancement of collaboration structure with suppliers for rationalization of production

Building production structure to meet with market demand and realize short time delivery

- Collaboration with SMC for "QCD"
 - Quality, Cost and Delivery
- Integrated production structure
 - Enhancement of competitiveness with improvement of quality, cost reduction, proper inventory and short lead time
 - Common use of manufacturing infrastructures such as measurement tools, logistics chains, etc.
- Promotion of digital transformation for rationalization of production
 - Common use of edge computing (facility) at manufacturing site and IT infrastructure
 - Support each supplier to improve its production activity
 - Set data driven KPI and operation with PDCA cycle



Supporting Automation

Presentation of Financial Results for the Fiscal Year Ended March 31, 2022

SMC Corporation

Masahiro Ota,
Director and Executive Officer
Head of Finance & Accounting Division
May 17, 2022

Consolidated Statement of Income

(Billions of yen)

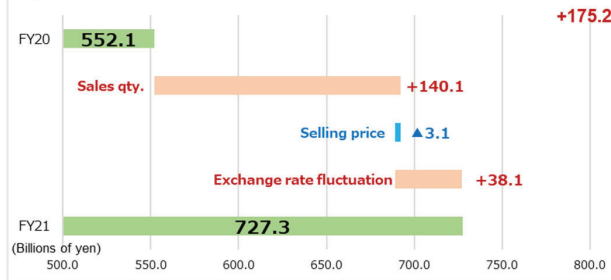
	FY20 Result		FY21 Forecast		FY21 Result		YoY (FY20 vs FY21)		FY21 3Q		FY21 4Q		QoQ (21/3Q vs 21/4Q)	
	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	%	Amount	vs net sales	Amount	vs net sales	Amount	%
Net sales	552.1		715.0		727.3		175.2	31.7%	183.7		184.9		1.2	0.7%
Cost of sales	286.3	51.9%	355.0	49.7%	363.5	50.0%	77.2	27.0%	91.4	49.7%	95.9	51.9%	4.5	5.0%
Gross profit	265.8	48.1%	360.0	50.3%	363.8	50.0%	97.9	36.9%	92.3	50.3%	89.0	48.1%	-3.3	-3.6%
Selling, general & administrative expenses	112.4	20.3%	132.0	18.4%	135.9	18.7%	23.4	20.9%	35.1	19.2%	36.3	19.6%	1.1	3.3%
Operating profit	153.3	27.8%	228.0	31.9%	227.8	31.3%	74.5	48.6%	57.1	31.1%	52.6	28.5%	-4.5	-7.9%
Ordinary profit	171.8	31.1%	241.0	33.7%	272.9	37.5%	101.1	58.9%	69.5	37.9%	77.3	41.8%	7.7	11.1%
Net profit	121.7	22.1%	175.0	24.5%	192.9	26.5%	71.2	58.5%	48.7	26.5%	53.9	29.2%	5.2	10.7%
Average exchange rate														
USD	106.12		111.50		112.39		+6.27	5.9%	113.68		116.35		+2.67	2.3%
EUR	123.72		130.50		130.55		+6.83	5.5%	130.03		130.39		+0.36	0.3%
CNY	15.67		17.40		17.51		+1.84	11.7%	17.77		18.31		+0.54	3.0%
Capital expenditures	27.4		80.0		83.4		56.0	204.3%						
Depreciation	18.5		21.5		20.5		1.9	10.6%						
R&D expenses	20.8		22.5		23.4		2.5	12.4%						
Number of employees	20,619		21,100		21,620		1,001	4.9%						

[YoY] Factors of Change of Net Sales and Operating Profit



① Net Sales

(Billions of yen)



< Sales qty. > 25% Increase from FY20

Greater China	+37.9	EP	+47%
Japan	+33.0	MP	+34%
North America	+23.9	CP	+22%
Europe	+22.6	FP	+21%
Other Asia	+20.7	DP	+21%
		Other	+32%
(Industry :Incoming order basis)			

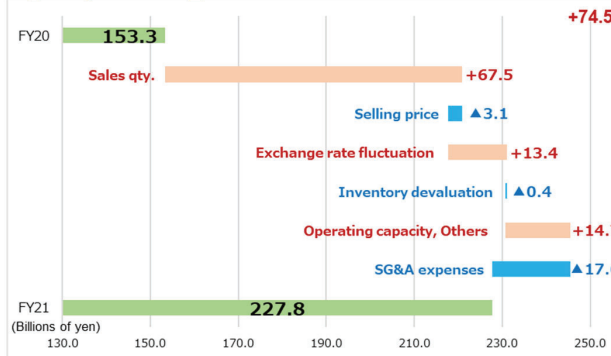
< Selling price > ▲0.4% YoY

Japan ▲4.2 (▲2.3%), Overseas +1.0 (+0.2%)

< Exchange rate fluctuation > 7% increase from FY20

Greater China (mainly CNY)	+20.3
North America (mainly USD)	+ 6.2
Other Asia (KRW and others)	+ 5.5
Europe (mainly EUR)	+ 5.0

② Operating Profit



< Exchange rate fluctuation >

Increase export profitability by weak JPY & Increase in P / L profit of overseas group companies from exchange rate conversion.

< Inventory devaluation >

Inventory turn-over ratio decreased by increase in parts inventory
⇒ Small inventory devaluation

< Operating capacity >

Cost of sales ratio get improved by increase in operating capacity from increase in production volume which absorbing material & labor costs increase.

< SG&A expenses >

Personnel costs +7.5, Freight expense +2.7, Sales commissions +1.2

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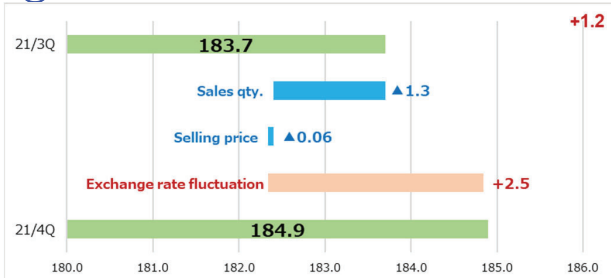
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[QoQ] Factors of Change of Net Sales and Operating Profit



① Net Sales

(Billions of yen)



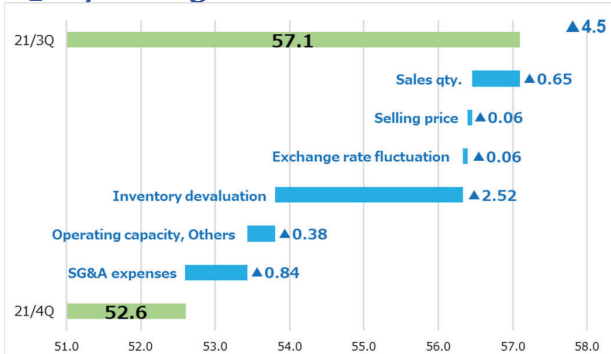
< Sales qty. > 1% decrease from 3Q

Europe	+4.8	DP	+9%
North America	+2.0	EP	+6%
Other Asia	▲0.8	CP	+4%
Japan	▲3.0	FP	+3%
Greater China	▲4.3	MP	+0%
		Other	▲1%
(Industry :Incoming order basis)			

< Exchange rate fluctuation > 1% increase from 3Q

Greater China (mainly CNY)	+1.3
Other Asia (mainly SGD)	+0.6
North America (mainly USD)	+0.5

② Operating Profit



< Inventory devaluation >

Strategic inventory increase to cover parts and material procurement difficulties
⇒ Triggered inventory devaluation of low turn-over parts inventory
▲2.5

< Exchange rate fluctuation >

Weaker JPY compared with 3Q +1.1
Unrealized profit in inventories of group companies ▲1.2
⇒ In consolidated financial reports, we deducted unrealized gain in inventories exported to group companies.
⇒ Closing rate is used to deduct unrealized profit.

< Operating capacity >

Operating capacity decreased due to lower production volume and increase in material costs.

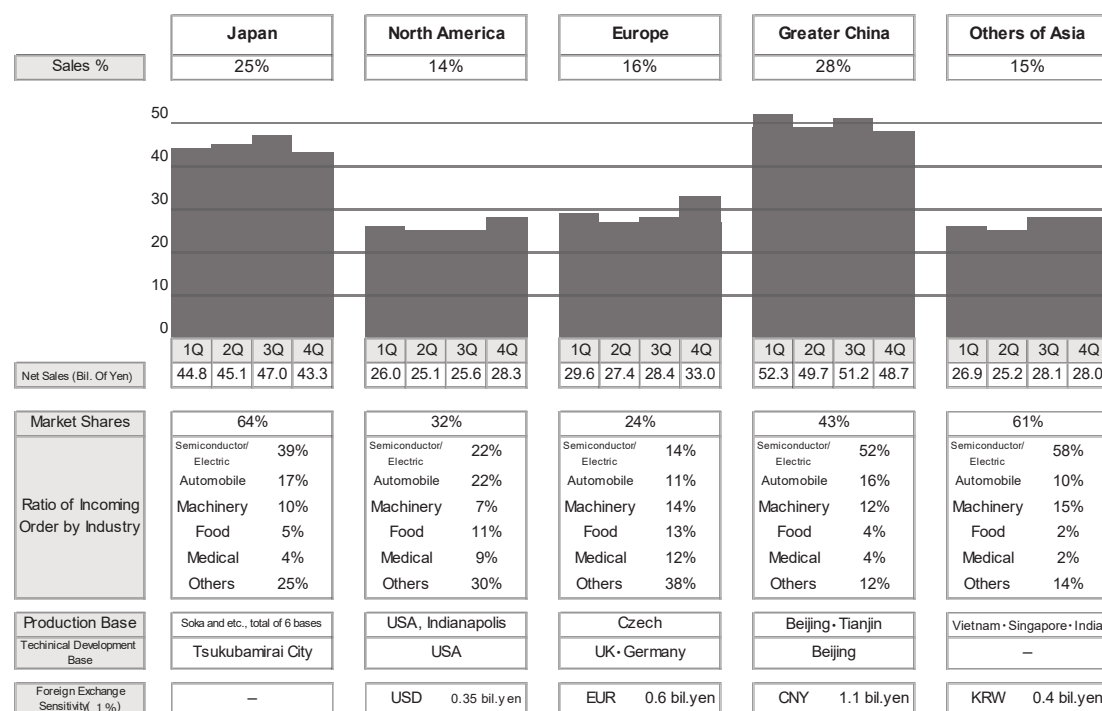
< SG&A expenses >

Personnel costs +0.46, Freight expense + 0.35

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[Quarterly] Consolidated Net Sales by Location



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SMC Market Share Trend (SMC Estimates)



	FY17	FY18	FY19	FY20	FY21
Rate(V\$)	(110.85)	(110.92)	(108.71)	(106.12)	(112.39)
Japan	65	65	65	65	64
North America	25	26	26	27	32
Europe	21	22	22	24	24
Asia/Oceania	48	47	47	41	43
Global Total	36	37	37	38	39
Global Total(JPY/\$:106.12)	37	37	37	38	39

Greater China
Other Asia/Oceania

※ Greater China: China, Hong Kong, Taiwan

※ SMC Estimates. Market share for FY21 is as of 3Q

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Consolidated Balance Sheet



(Billions of yen)				
	FY20	FY21	YoY	
Assets	1,539.8	1,769.9	230.0	14.9%
Current assets	1,096.9	1,258.4	161.4	14.7%
(① cash and deposits)	(629.2)	(684.8)	(55.5)	8.8%
(Trade receivables)	(174.9)	(211.9)	(37.0)	21.2%
(② securities)	(11.2)	(12.2)	(0.9)	8.6%
(inventories)	(248.7)	(303.5)	(54.7)	22.0%
Non-current assets	442.9	511.5	68.6	15.5%
(③ investment securities with fair value)	(57.3)	(43.8)	(-13.5)	-23.6%
(④ insurance funds)	(145.3)	(150.7)	(5.4)	3.7%
*Cashability assets ①+②+③+④	843.2	891.6	48.3	5.7%
Liabilities	159.8	210.6	50.7	31.8%
Current liabilities	118.0	169.4	51.3	43.5%
(Trade payables)	(44.0)	(62.1)	(18.0)	40.8%
Non-current liabilities	41.8	41.2	-0.5	-1.4%
Net assets	1,379.9	1,559.2	179.2	13.0%
Equity ratio	89.4%	87.9%	-1.5	
BPS (JPY)	20,835	23,808	+2,973	
ROE	9.3%	13.2%	+3.9	

(Billions of Yen)			
	FY20	FY21	YoY
Total inventory	248.7	303.5	54.7
Merchandise and finished goods	112.1	130.8	18.6
Work in process	21.3	25.5	4.2
Raw materials, parts and supplies	115.3	147.1	31.8
Impact due to exchange rate fluctuation			17.9
Impact due to inventory devaluation			-1.0
Actual YoY change			37.9

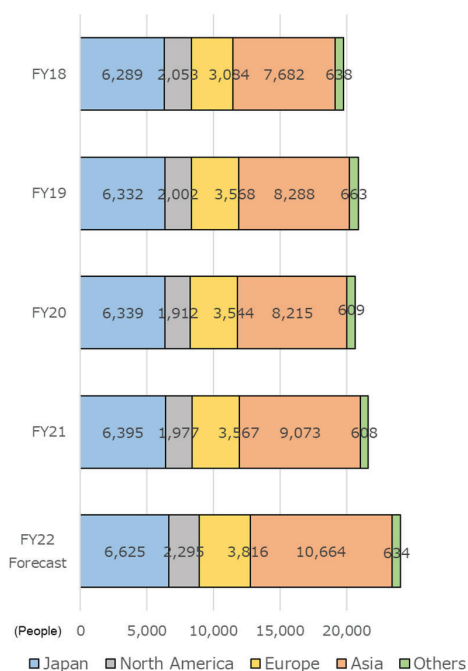
FY average monthly sales ratio	5.4	5.0	(-0.4)
Closing month sales ratio	4.0	4.6	0.6

Closing exchange rate			
	FY20	FY21	YoY
USD	110.72	122.41	+11.69 10.6%
EUR	129.76	136.77	+7.01 5.4%
CNY	16.86	19.26	+2.40 14.2%

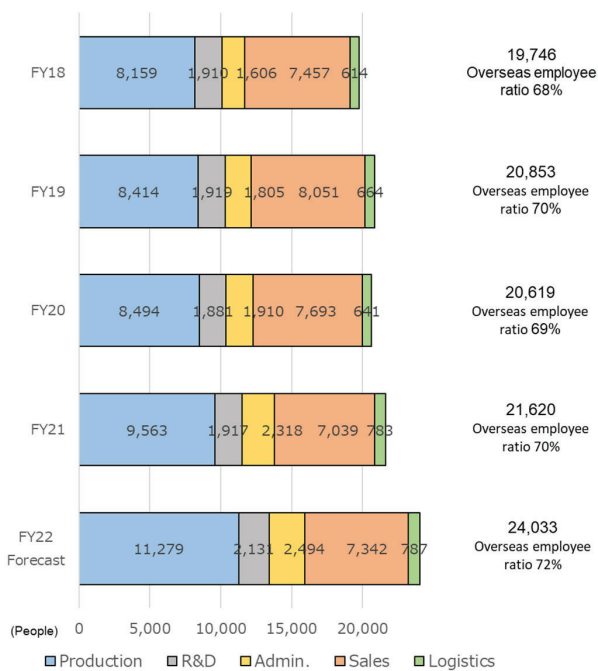
Number of Employees



① By Region



② By Division

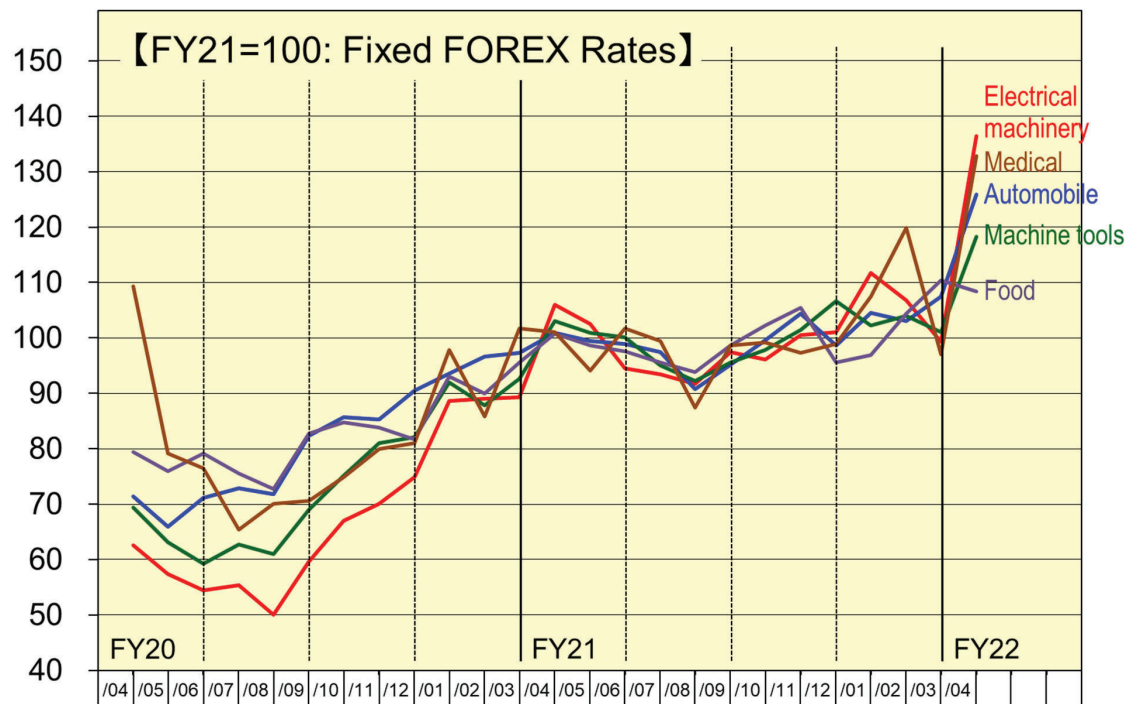


Current Order Situation (FY21=100)

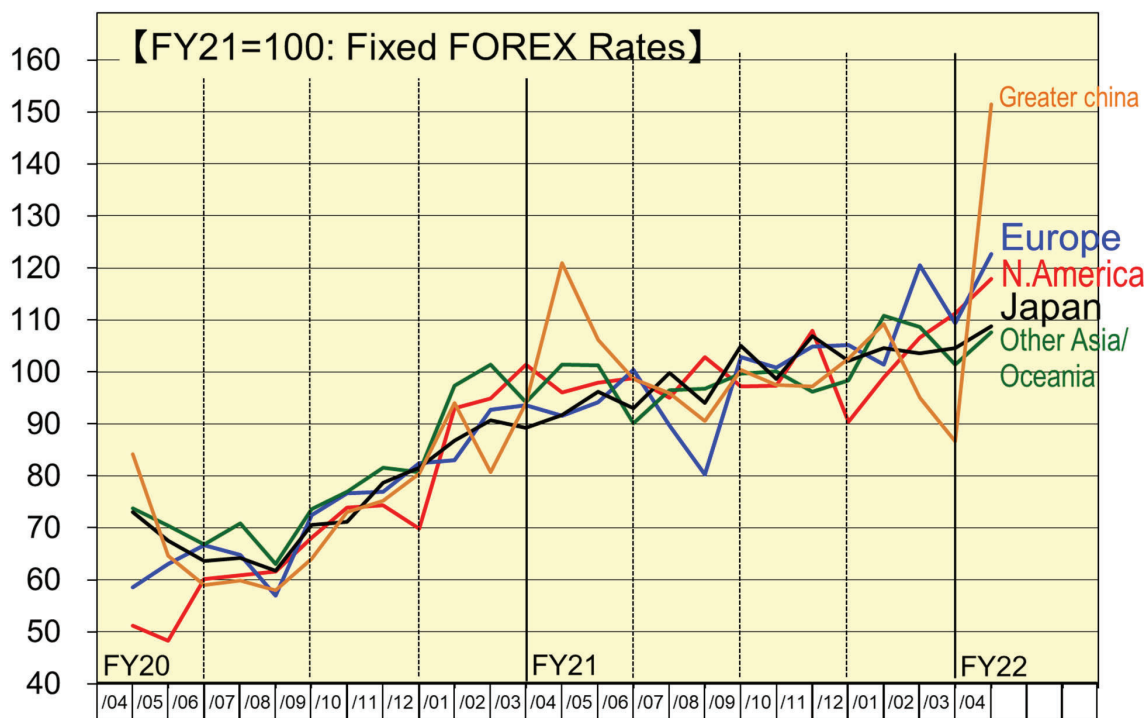


	FY21	'21/3Q	'21/4Q	'22/04	'22/4 situation	
Consolidated	Electrical machinery	100	99	106	136	Increasing tendency in Japan, China, and the US
	Automobile	100	101	105	126	Increasing tendency in China and the US
	Machine tools	100	102	102	118	Increasing tendency in China and the US
	Food	100	101	104	108	Firm tone in the US and Germany
	Medical	100	98	108	133	Increasing tendency in China
	Other	100	103	102	100	
Japan	100	103	104	109	Increasing in the electrical machinery and firm tone in the machine tools industry	
North America	100	98	106	118	Increasing in the electrical machinery and firm tone in the automobile and the food industry	
Europe	100	104	110	123	Firm tone in the machine tools, the food, and the medical industry	
Greater China	100	99	97	152	Recovery incoming orders from decrease in March	
The rest of Asia & Oceania	100	98	107	108	Increasing tendency in the electrical machinery industry	
Consolidated	100	100	104	124		

Consolidated Orders Trend By Industry



Consolidated Orders Trend By Region



SMC Corporation

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FY22 Consolidated Financial Forecast



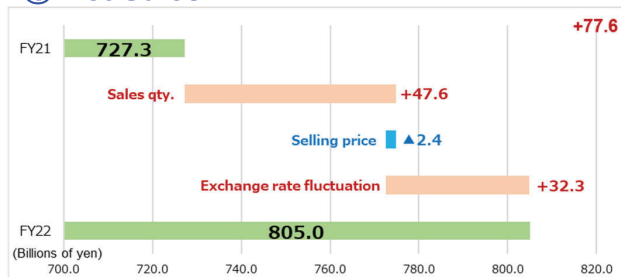
	FY20 Result		FY21 Result		FY22 Forecast		YoY (FY21 vs FY22)	
	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	%
	(Billions of yen)							
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Cost of sales	286.3	51.9%	363.5	50.0%	402.0	49.9%	38.4	10.6%
Gross profit	265.8	48.1%	363.8	50.0%	403.0	50.1%	39.1	10.8%
Selling, general & administrative expenses	112.4	20.3%	135.9	18.7%	148.0	18.4%	12.0	8.8%
Operating profit	153.3	27.8%	227.8	31.3%	255.0	31.7%	27.1	11.9%
Ordinary profit	171.8	31.1%	272.9	37.5%	265.0	32.9%	-7.9	-2.9%
Net profit	121.7	22.1%	192.9	26.5%	188.0	23.4%	-4.9	-2.6%
Exchange rate forecast								
USD	106.12		112.39		123.00		+10.61	9.4%
EUR	123.72		130.55		133.00		+2.45	1.9%
CNY	15.67		17.51		18.50		+0.99	5.7%
Capital expenditures	27.4		83.4		120.0		+36.6	43.7%
Depreciation	18.5		20.5		24.0		+3.5	16.7%
R&D expenses	20.8		23.4		25.0		+1.6	6.6%
Dividend per share (JPY)	500		750		900		+150	

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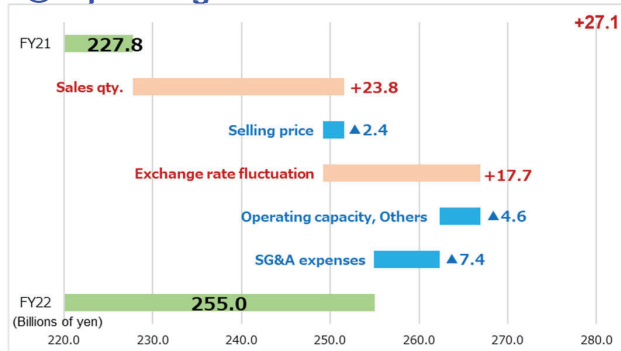
① Net Sales

(Billions of yen)



< Sales qty. >	
Greater China	+16.7
Japan	+12.1
North America	+9.0
Europe	+6.1
Other Asia	+3.3
< Exchange rate fluctuation >	
Greater China (mainly RMB)	+12.7
North America (mainly USD)	+10.6
Other Asia (mainly SGD)	+6.0
Europe (mainly EUR)	+1.7

② Operating Profit



< Exchange rate fluctuation >	
We forecast weaker JPY, which will result in export profitability and profit increase in P / L conversion of overseas group companies.	
< Operating capacity & Others >	
We expect operating capacity increase due to production volume increase but also costs continue rising by market prices of materials.	
< SG&A expenses >	
Personnel costs +3.6, Freight expense+1.9, Shipping & warehouse expenses +0.8, Traveling expenses+0.7	

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.