

**Presentation of Financial Results
for the Second Quarter ended
September 30, 2022 (FY2022)**

(Supplemental Material for Consolidated
Financial Highlights)

November 16, 2022

SMC Corporation



Presentation of Financial Results for the Second Quarter ended in September 30, 2022 (FY2022)

November 16, 2022
SMC Corporation
Yoshiki Takada, President

Supporting Automation



FY2022 1st Half Summary



Achieved record high for Sales and Profits due to increase of sales quantity and positive forex change.
Normalized from Covid-19 and CAPEX recovered globally.

<By End Market>

Demand for Semi and Electronics which continued strong from last year has gradually slowed down from July due to seasonality etc. Battery demand continued solid. For auto, parts shortage situation still continued, but recovery trend mainly in China.

<By Areas>

Japan : Manufacturing capex is at a high level, but growth in auto is sluggish.

North America : CAPEX is on a downward trend due to rising interest rates and inflation.

Europe : Recovery trend of CAPEX

China : Strong demand for battery continue, but there appears to be a lull in semi demand.

Growth of demand for EV accelerate in all areas.

<Shareholder Return>

Share buyback up to 60 billions of yen (resolved at BOD on 14th Nov)
(Acquisition period : from November 2022 to March 2023)

(Unit : Billions of yen)

	FY21/2Q		FY22/2Q		YoY (21/2Q vs 22/2Q)	
	Amount	vs net sales	Amount	vs net sales	Amount	%
Net sales	358.6		421.5		62.8	17.5%
Cost of sales	176.1	49.1%	209.3	49.7%	33.1	18.8%
Gross profit	182.5	50.9%	212.1	50.3%	29.6	16.3%
Selling, general & administrative expenses	64.4	18.0%	78.5	18.6%	14.0	21.8%
Operating profit	118.0	32.9%	133.6	31.7%	15.6	13.2%
Ordinary profit	126.0	35.1%	180.7	42.9%	54.6	43.3%
Net profit	90.2	25.2%	133.0	31.6%	42.7	47.4%
Average exchange rate						
USD	109.81		134.06		+24.25	22.1%
EUR	130.87		138.81		+7.94	6.1%
CNY	16.98		19.89		+2.91	17.1%
Depreciation	9.7		12.1		2.4	25.2%
R&D expenses	11.2		13.5		2.3	20.8%

FY2022 Revised Forecast



Revised up the full-year forecast against the initial forecast. Revised foreign exchange assumptions to reflect a weaker yen. Expect lower sales and profits in the second half compared to the first half result due to the slowdown in the economy.

<By End market>

For semi, there are signs of a lull in demand in all regions. Expect a reasonable recovery in the automotive industry as the shortage of semiconductors has gradually been resolved and investment in rechargeable batteries is active in all regions.

<By areas>

Japan: Demand for SPE is firm, but memory-related demand is slowing. For auto, recovery is expected due to an improvement in semiconductor shortages.

North America: A lull in the semi and electrical machinery sectors, and some major SPEs are postponing their capex plans; secondary battery-related investment is active.

Greater China: Orders for semi and rechargeable batteries continue strong. Medical industry is expected to see sustained growth over the next several years.

Europe: EV-related investment is active. Work to increase our market share.

Production constraints due to difficulties in procuring materials, mainly semiconductors and plastic parts, continue to be a risk factor for SMC.

(Unit: Billions of yen)	FY21	FY22		FY22	
	Result	Initial Forecast	YoY % change	Revised Forecast	YoY % change
Net sales	727.3	805.0	+11%	824.0	+13%
Overseas sales [Overseas sales ratio]	554.1 [76.2%]	621.1 [77.2%]	+12%	645.0 [78.3%]	+16%
Operating profit (Operating margin)	227.8 (31.3%)	255.0 (31.7%)	+12%	248.5 (30.2%)	+9%
Ordinary profit	272.9	265.0	-3%	302.0	+11%
Profit attributable to owners of parent	192.9	188.0	-3%	220.0	+14%
Average exchange rate(US\$)	¥112.39	¥123.00		¥138.00	
(€)	¥130.55	¥133.00		¥139.00	
(CNY)	¥17.51	¥18.50		¥19.80	
Capital expenditures(tangible/intangible)	83.4	120.0	+44%	120.0	+44%
Depreciation(tangible/intangible)	20.5	24.0	+17%	26.0	+26%
R&D expenses	23.4	25.0	+7%	27.0	+15%

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CAPEX Update



In addition to expanding production capacity to achieve dramatic sales growth in the future, SMC is building a BCP system to duplicate / backup its production and development bases so that it can be recognized by customers as the most reliable business partner and supplier.

<1st Half Results>

Acquired land for relocation of R&D center (JTC)

(Kashiwa City, Chiba Prefecture)

April: Shimotsuma No. 2 Plant

June: West Japan Logistics Center

<2nd Half Plan>

November: Kamaishi No.5 plant, Tono No.2 plant



Kamaishi No.5 Plant



Tono No.2 Plant

(Billions of yen)		FY22 Plan		22/2Q	
Purpose	Place	Plan	Item	Result	
PRD	Japan	46.1	16.2 Shimotsuma Fac.	5.8	16.9
			9.0 Kamaishi Fac.	2.2	
			8.4 Tono Fac.	1.9	
			12.5 Others	7.0	
	Overseas	36.2	20.0 SMC China	3.4	8.1
			12.2 Vietnam Mfg	3.8	
1.8 Singapore Mfg			0.2		
0.8 SMC India			0.4		
			1.4 Others	0.3	
Admin. R&D Sales Logistics	Japan	19.0	4.0 HQ Building	0.2	10.2
			6.1 JTC Land	6.2	
			6.1 Eas&West Logistics	3.8	
			2.8 Others	0.0	
	Overseas	18.7	5.9 SMC Germany	2.0	8.3
			3.7 SMC Korea	0.0	
1.6 SMC US			3.4		
1.1 SMC Turkey			0.7		
			1.0 SMC Thailand	0.3	
			5.3 Others	1.9	
Total		120.0		43.5	

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FY2022 Strategy and Progress



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

Unrivalled high production capability and abundant stock

- Constant production expansion
- Abundant stock for short lead time

FY2022 Strategy and progress

1. Production BCP / Expansion of production capacity and multi-location

- Investments in land and buildings has progressed almost on schedule, while investments in machinery and equipment are slightly behind schedule.

2. Supply chain BCP / development and multiple purchasing

- Stable procurement of parts, expansion of suppliers on a global basis led by the SCM Management Dept are in progress.

3. Build sustainable product supply capabilities, including IT infrastructure development.

- Data security measures: Completed protection against cyber-attacks
- Data center development: redundancy of data holding is in progress.

4. Development and launch of innovative products that will be "Game Changer"

- Simultaneous global launch of "Air Management System" in October.

5. Globalization of development organization

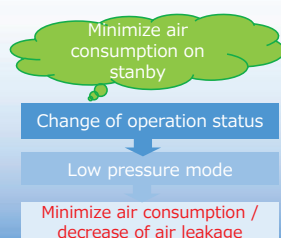
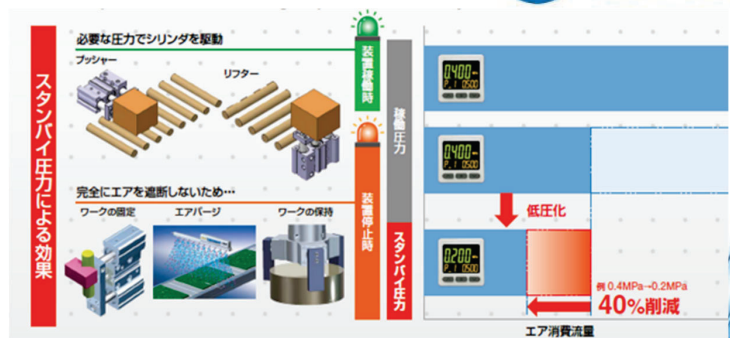
- Expansion of development resources at overseas technical centers and increase in number of bases
- Director and General Manager of Technology department stationed in Germany

Air Management System



A new product, "Air Management System," which automatically determines the operating status of production equipment and reduces wasteful air consumption and compressor operating power as an air source, was launched simultaneously worldwide in October.

The system incorporates sensors capable of measuring flow rate, pressure, and temperature to monitor the operating status of production equipment. Automatically switches to the minimum necessary pressure while production equipment is on standby, reducing air consumption while maintaining necessary equipment functions. Compatible with wireless systems, allowing connection of up to 10 child units.



Strengthening IT Security

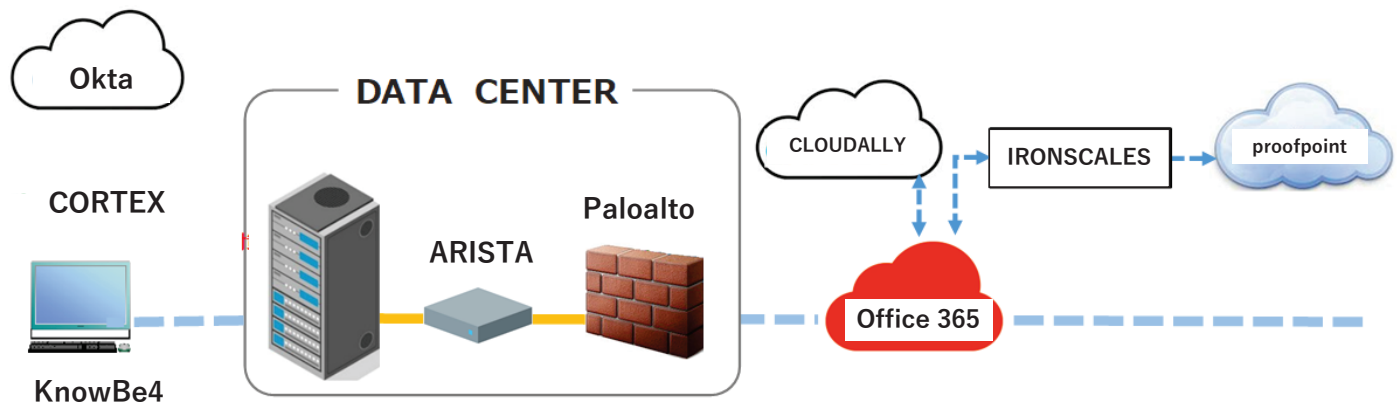


Strengthening IT security through the development of a globally unified infrastructure, with the U.S. subsidiary, a leading IT country, as the main driver

Strengthening data security: Preventing cyber-attacks, automatic detection, and enhancement of monitoring systems

Establishment of redundancy and disaster recovery system by converting to data centers (BCP support)

Established 11 data centers globally.



Sustainability Initiatives



FY2021

Established "Sustainability Committee" as an advisory body to the Board of Directors

Members : 2 outside directors + President & CEO

Committee Chair: Kyoichi Miyazaki, Outside Director

Established "Eco Factory Promotion Office"

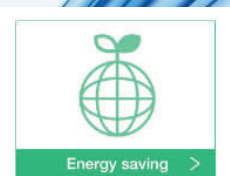
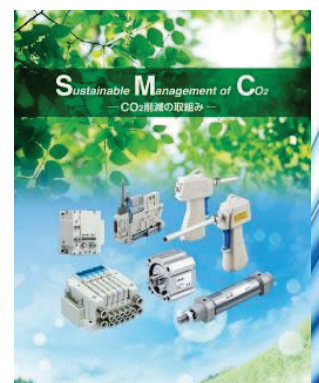
New organization which promote reduction of GHG emissions, introduction of renewable energy, etc. to achieve carbon neutral goals

FY2022

June Announced endorsement of TCFD

December "Sustainability Report 2022" to be published (English version to be published in January 2023).

Plan to disclose roadmap to achieve GHG emission reduction targets for 2030 toward carbon neutrality by 2050.





Supporting Automation



Presentation of Financial Results for the 2nd Quarter Ended September 30, 2022

SMC Corporation

Masahiro Ota,
Director and Executive Officer
Head of Finance & Accounting Division
November 16, 2022

Supporting Automation



Consolidated Statement of Income



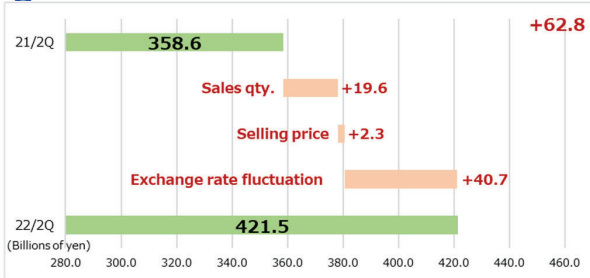
(Billions of yen)

	FY21/2Q		FY22/2Q		YoY (21/2Q vs 22/2Q)		FY22 Forecast		FY22 1Q		FY22 2Q		QoQ (22/1Q vs 22/2Q)	
	Amount	vs net sales	Amount	vs net sales	Amount	%	Amount	Progress %	Amount	vs net sales	Amount	vs net sales	Amount	%
Net sales	358.6		421.5		62.8	17.5%	805.0	52.4%	211.3		210.1		-1.1	-0.6%
Cost of sales	176.1	49.1%	209.3	49.7%	33.1	18.8%	402.0	52.1%	105.9	50.1%	103.3	49.2%	-2.5	-2.4%
Gross profit	182.5	50.9%	212.1	50.3%	29.6	16.3%	403.0	52.7%	105.4	49.9%	106.7	50.8%	1.3	1.3%
Selling, general & administrative expenses	64.4	18.0%	78.5	18.6%	14.0	21.8%	148.0	53.1%	37.4	17.7%	41.1	19.6%	3.6	9.9%
Operating profit	118.0	32.9%	133.6	31.7%	15.6	13.2%	255.0	52.4%	67.9	32.2%	65.6	31.2%	-2.3	-3.4%
Ordinary profit	126.0	35.1%	180.7	42.9%	54.6	43.3%	265.0	68.2%	104.0	49.2%	76.7	36.5%	-27.2	-26.2%
Net profit	90.2	25.2%	133.0	31.6%	42.7	47.4%	188.0	70.8%	75.4	35.7%	57.6	27.4%	-17.7	-23.5%
Average exchange rate														
USD	109.81		134.06		+24.25	22.1%	123.00		129.72		138.54		+8.82	6.8%
EUR	130.87		138.81		+7.94	6.1%	133.00		138.24		139.40		+1.16	0.8%
CNY	16.98		19.89		+2.91	17.1%	18.50		19.60		20.20		+0.60	3.1%
Depreciation	9.7		12.1		2.4	25.2%	24.0	50.8%						
R&D expenses	11.2		13.5		2.3	20.8%	25.0	54.3%						

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



① Net Sales



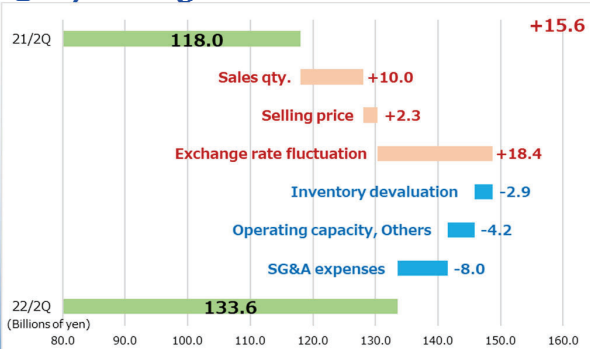
< Sales qty. > **5% Increase**
 Japan +2.6 (+3%), North America +2.0 (+4%)
 Europe +5.3 (+9%), Greater China +3.8 (+4%)
 Other Asia +5.1 (+10%)

(Billions of yen)

< Selling price > **0.6% up**
 Japan +0.2, Overseas +2.1 Increasing trend from supply chain crisis

< Exchange rate fluctuation > **11% Increase**
 Greater China (mainly CNY) +18.1
 North America (mainly USD) +11.6
 Other Asia (KRW and others) + 6.6
 Europe (mainly EUR) + 2.9

② Operating Profit



< Exchange rate fluctuation >
 From transaction (Foreign currency export & import) +9.4
 From conversion (Overseas subs P&L conversion) +8.9

< Inventory devaluation >
 Decrease in inventory turn-over ratio due to increase RM&P by advance purchasing and increase in merchandise

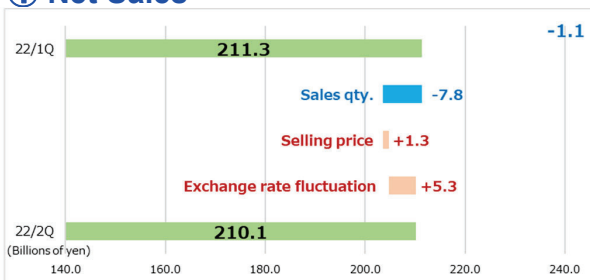
< Operating capacity, Material cost, Others >
 Cost of sales ratio get worse from increase in material cost and labor costs which can't be absorbed by improvement of operating capacity from increase in production volume.

< SG&A expenses >
 Personnel -2.7, Freight & Delivery -2.5,
 Service charge -2.1, Advertising -0.5

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



① Net Sales



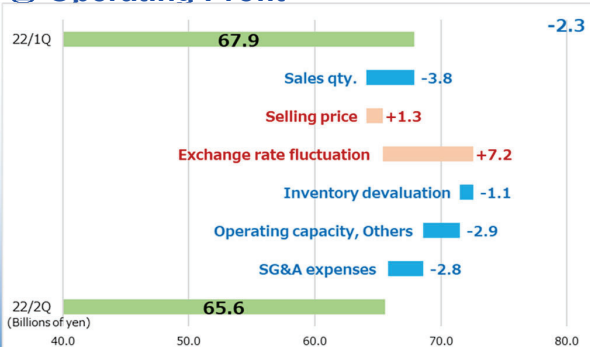
< Sales qty. > **4% Decrease**
 Japan -0.5 (-1%), North America -2.1 (-7%)
 Europe -0.6 (-2%), Greater China -2.8 (-5%)
 Other Asia -1.8 (-6%), Others +0.2 (+7%)

(Billions of yen)

< Selling price > **0.6% up**
 Japan -0.5, Overseas +1.8 Increasing trend from supply chain crisis

< Exchange rate fluctuation > **3% Increase**
 North America (mainly USD) + 2.0
 Greater China (mainly CNY) + 1.9
 Other Asia (SGD and others) + 0.8
 Europe (mainly EUR) + 0.4

② Operating Profit



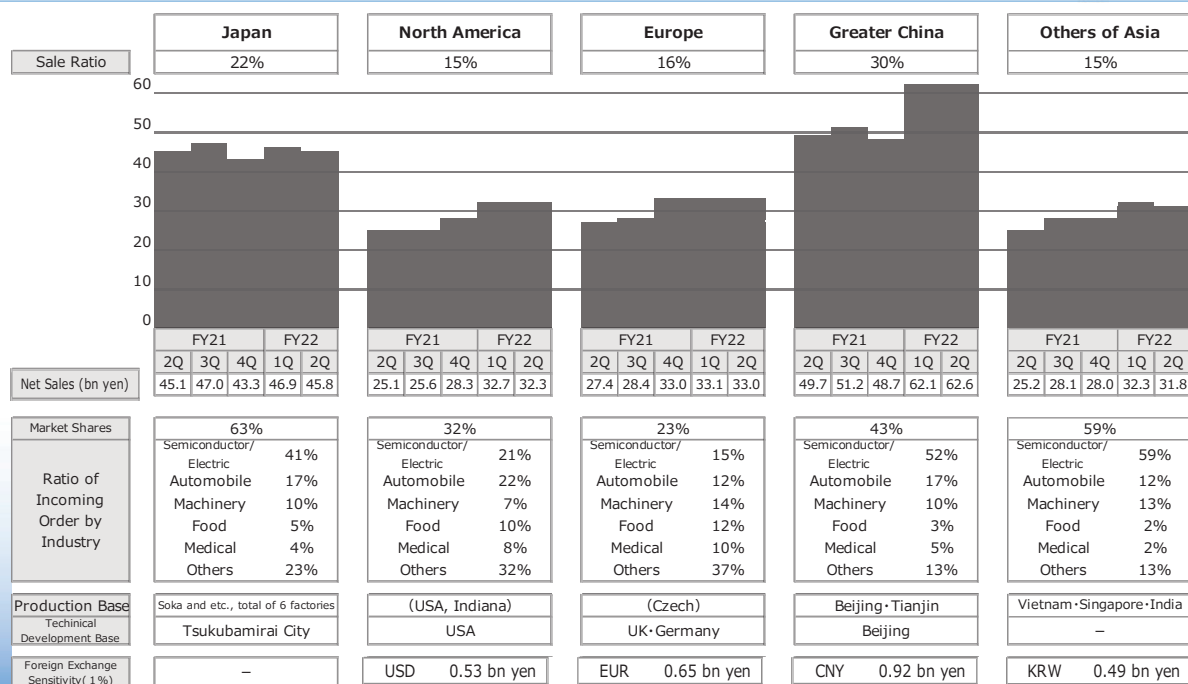
< Exchange rate fluctuation >
 From transaction (Foreign currency export & import) +6.0
 *Including realization of unrealized profit
 From conversion (Overseas subs P&L conversion) +1.2

< Inventory devaluation >
 Decrease in inventory turn-over ratio due to increase RM&P by advance purchasing

< Operating capacity, Material cost, Others >
 Cost of sales ratio get worse from increase in material cost and labor costs which can't be absorbed by improvement of operating capacity from increase in production volume.

< SG&A expenses >
 Personnel -1.1, Freight & Delivery -0.2

[Quarterly] Consolidated Net Sales by Location



*Impact to operating profit from 1% exchange rate change.

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Consolidated Balance Sheet

	(Billions of yen)			
	FY21	22/2Q	YoY	
Assets	1,769.9	1,963.2	193.3	10.9%
Current assets	1,258.4	1,353.7	95.3	7.6%
(①cash and deposits)	(684.8)	(705.1)	(20.2)	3.0%
(Trade receivables)	(211.9)	(235.7)	(23.7)	11.2%
(②securities)	(12.2)	(14.3)	(2.0)	17.2%
(inventories)	(303.5)	(367.2)	(63.7)	21.0%
Non-current assets	511.5	609.5	97.9	19.2%
(③investment securities with fair value)	(43.8)	(97.7)	(53.9)	123.1%
(④insurance funds)	(150.7)	(146.3)	(-4.4)	-2.9%
*Cashability assets ①+②+③+④	891.6	963.5	71.8	8.1%
Liabilities	210.6	230.7	20.0	9.5%
Current liabilities	169.4	192.5	23.1	13.7%
(Trade payables)	(62.1)	(71.3)	(9.2)	14.9%
Non-current liabilities	41.2	38.1	-3.1	-7.6%
Net assets	1,559.2	1,732.5	173.2	11.1%
Equity ratio	87.9%	88.1%	+0.2	
Net assets per share (yen)	23,808	26,459	+2,651	
ROE	13.2%	8.1%		

	(Billions of Yen)		
	FY21	22/2Q	YoY
Total inventory	303.5	367.2	63.7
Merchandise and finished goods	130.8	152.6	21.8
Work in process	25.5	28.8	3.2
Raw materials, parts and supplies	147.1	185.7	38.5
Impact due to exchange rate fluctuation			16.3
Impact due to inventory devaluation			-2.4
Actual YoY change			50.0
FY average monthly sales ratio	5.0	5.2	0.2
Closing month sales ratio	4.6	5.0	0.4
Closing exchange rate			
USD	122.41	144.81	+22.40
EUR	136.77	142.32	+5.55
CNY	19.26	20.37	+1.11

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New Forecast



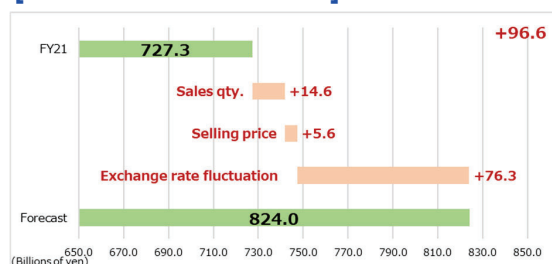
(Unit: Billions of yen)	FY21	FY22		FY22	
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R&D expenses	23.4	25.0	+ 7%	27.0	+ 15%

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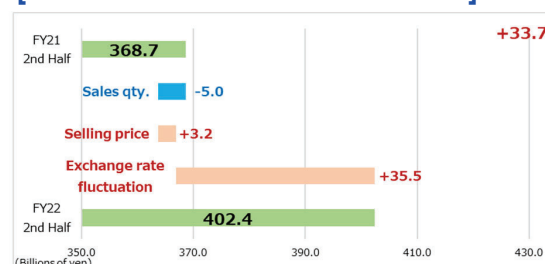
Factors of Change of Net Sales and Operating Profit



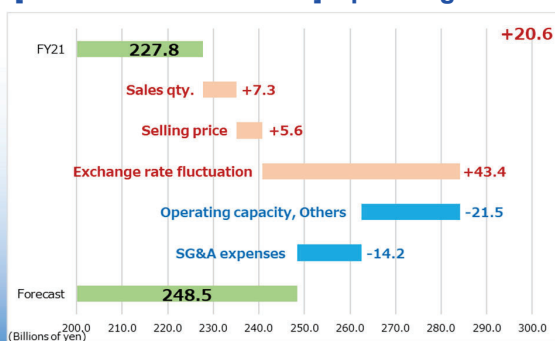
[FY21 vs FY22 Forecast] Net Sales



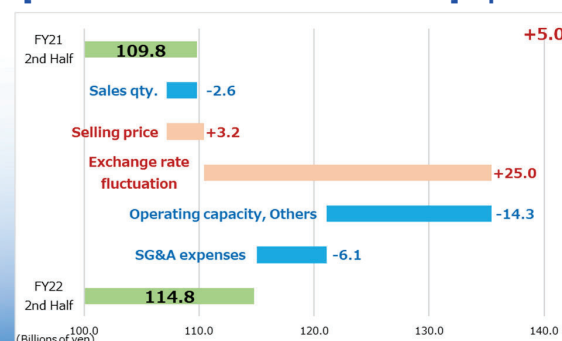
[2nd Half - FY21 vs FY22 Forecast] Net Sales



[FY21 vs FY22 Forecast] Operating Profit



[2nd Half - FY21 vs FY22 Forecast] Operating Profit



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Repurchase of Own Shares



【Resolved at the Board of Directors' Meeting held on November 14, 2022】

- ▶ Total amount of repurchase: Up to 60 billion yen
- ▶ Period of repurchase: From November 21, 2022 to March 24, 2023

【Returns to shareholders for the last 3 fiscal years】

	FY2020	FY2021	FY2022
Dividend per share	500 yen	750 yen	900 yen
Total amount of dividend	33.1 billion yen	49.2 billion yen	58.8 billion yen
Dividend ratio	27.3 %	25.7 %	26.5 %
Total amount of repurchase	28.5 billion yen	49.9 billion yen	60.0 billion yen
Total payout ratio	50.6 %	51.4 %	53.8 %

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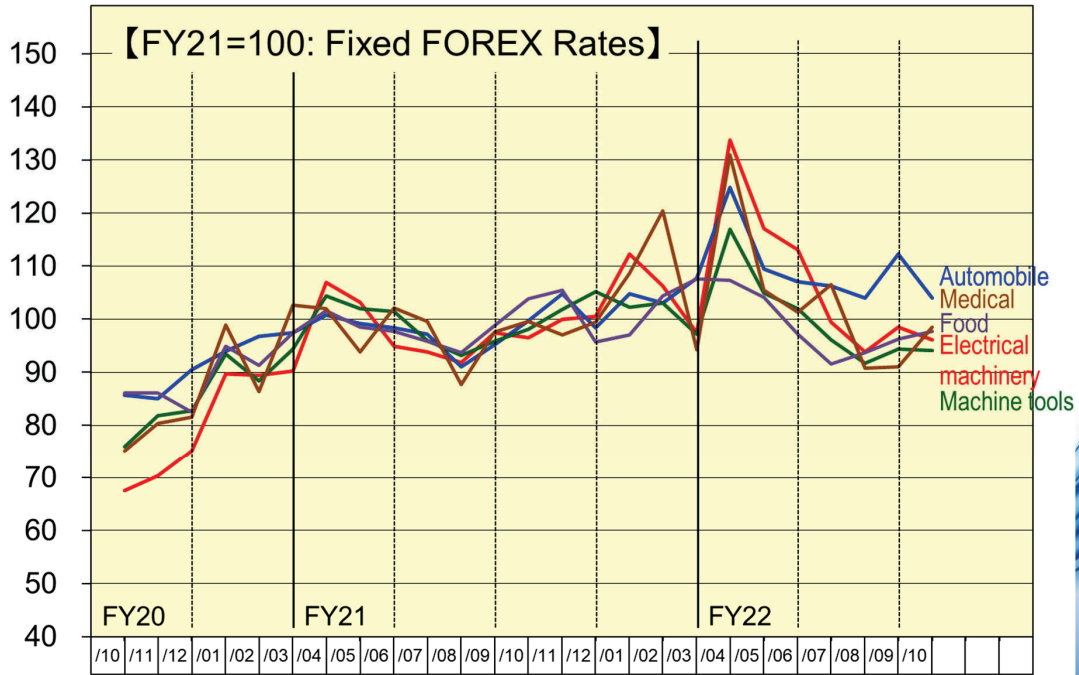
Current Order Situation (FY21=100)



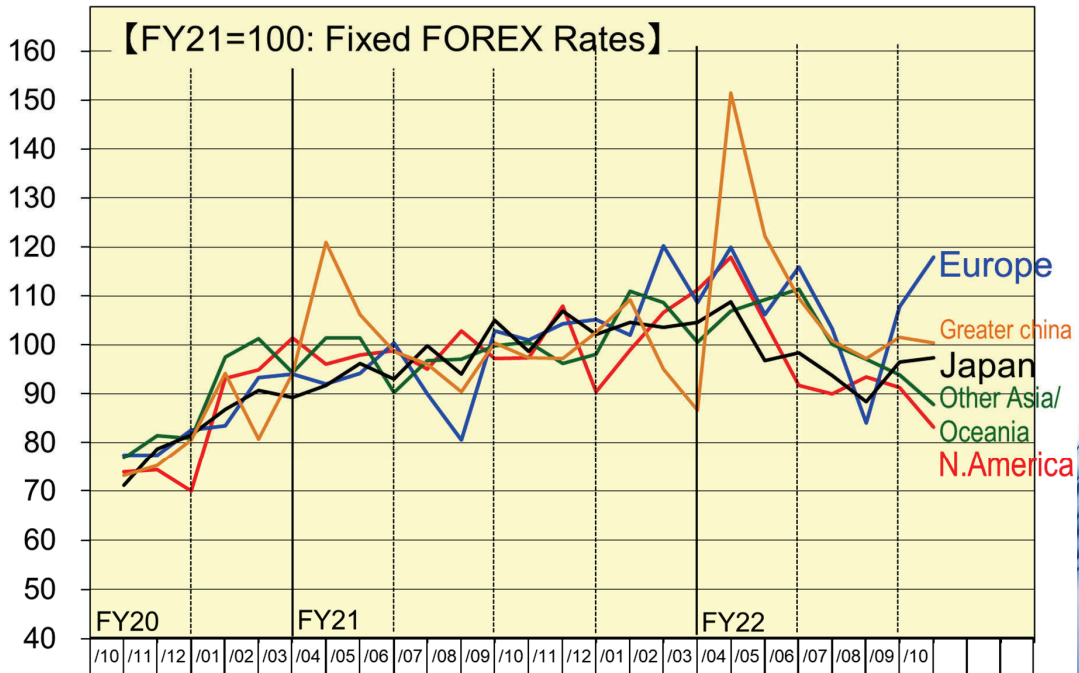
	FY22	'22/1Q	'22/2Q	'22/10	'22/10 Situation	
Consolidated	Electrical machinery	107	121	97	96	Increasing in China
	Automobile	110	114	107	104	Increasing in Germany and Korea
	Machine tools	100	108	94	94	Increasing in Korea, decreasing in China
	Food	98	103	94	98	Decreasing in all areas
	Medical	104	112	96	99	Increasing in US and France
	Other	105	105	101	103	
Japan	97	101	93	97	Weakening in electrical machinery and machine tools, decreasing in automobile	
North America	97	105	92	83	Increasing in medical, decreasing in machine tools	
Europe	108	114	98	118	Firm tone in automobile and medical	
Greater China	112	127	100	100	Firm tone in electrical machinery and automobile	
The rest of Asia & Oceania	101	109	97	88	Weakening in electrical machinery	
Consolidated	104	113	96	98		

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Consolidated Orders Trend By Industry



Consolidated Orders Trend By Region



SMC Market Share Trend (SMC Estimates)



	FY17	FY18	FY19		FY20	FY21
Rate(JPY/\$)	(110.85)	(110.92)	(108.71)		(106.12)	(112.39)
Japan	65	65	65		65	63
North America	25	26	26		27	32
Europe	21	22	22		24	23
Asia/Oceania	48	47	47	➔ Greater China Other Asia/Oceania	41	43
Global Total	36	37	37		59	59
Global Total (JPY/\$ 112.39)	37	37	37		38	39

※ Greater China: China, Hong Kong, Taiwan

※ SMC Estimates. Market share for FY21 is as of 4Q.



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

Supporting Automation

