



Presentation of Financial Results for the Second Quarter ended September 30, 2024

November 14, 2024

SMC Corporation
Masahiro Ota
Director and Executive Officer
General Manager of Finance and Accounting Division

Supporting Automation





Outline

- 1. Summary of Financial Results for the 2nd Quarter Ended September 30, 2024**
- 2. Topics**

1. Summary of Financial Results for the 2nd Quarter Ended September 30, 2024

2. Topics



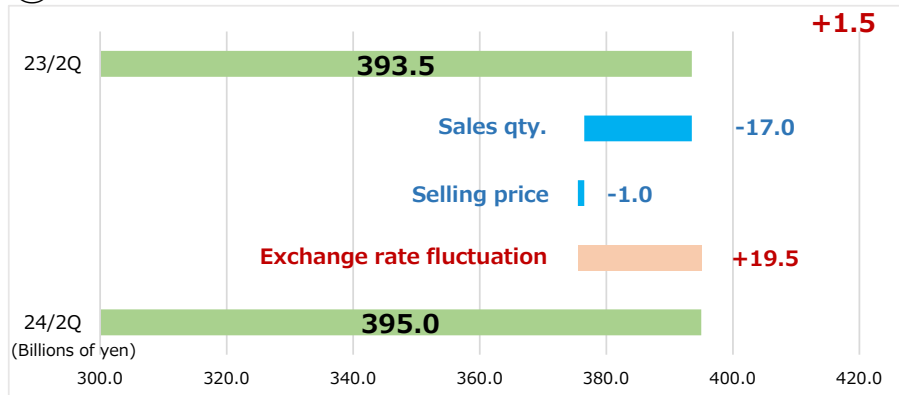
Consolidated Statement of Income

(Billions of Yen)

	FY23/2Q Result		FY24/2Q Result		YoY (23/2Q vs 24/2Q)		FY24 Forecast		FY24 1Q		FY24 2Q		QoQ (24/1Q vs 24/2Q)	
	Amount	vs net sales	Amount	vs net sales	Amount	%	Amount	Progress %	Amount	vs net sales	Amount	vs net sales	Amount	%
Net sales	393.5		395.0		1.5	0.4%	840.0	47.0%	202.7		192.2		-10.5	-5.2%
Cost of sales	205.7	52.3%	209.5	53.0%	3.8	1.9%	428.0	49.0%	106.0	52.3%	103.4	53.8%	-2.6	-2.5%
Gross profit	187.8	47.7%	185.5	47.0%	-2.3	-1.2%	412.0	45.0%	96.6	47.7%	88.8	46.2%	-7.8	-8.1%
Selling, general & administrative expenses	82.7	21.0%	86.0	21.8%	3.3	4.0%	178.0	48.3%	44.3	21.9%	41.7	21.7%	-2.6	-5.9%
Operating profit	105.1	26.7%	99.4	25.2%	-5.6	-5.4%	234.0	42.5%	52.3	25.8%	47.1	24.5%	-5.2	-10.0%
Ordinary profit	134.6	34.2%	104.2	26.4%	-30.3	-22.6%	274.0	38.1%	68.2	33.7%	36.0	18.7%	-32.2	-47.3%
Net profit	94.7	24.1%	78.1	19.8%	-16.5	-17.5%	194.0	40.3%	48.7	24.0%	29.4	15.3%	-19.2	-39.5%
Average exchange rate														
USD	141.06		152.77		+11.71	8.3%	146.00		155.85		149.68		-6.17	-4.0%
EUR	153.44		166.04		+12.60	8.2%	158.00		167.84		164.25		-3.59	-2.1%
CNY	19.74		21.15		+1.41	7.1%	20.50		21.47		20.84		-0.63	-2.9%
Depreciation	15.0		15.5		0.4	2.7%	44.0	35.2%						
R&D expenses	15.0		16.1		1.1	7.3%	35.0	46.0%						

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

① Net Sales



(Billions of yen)

< Sales qty. > 4% decrease

Japan -6.3 (-7%), North America -9.3 (-14%), Europe -7.4 (-10%), Greater China +7.3 (+7%), Other Asia -1.1 (-2%)

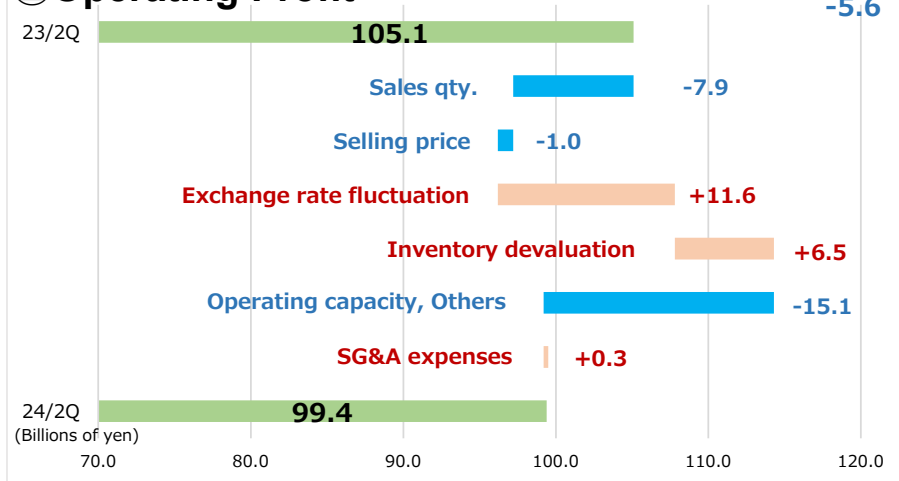
< Selling price > 0.3% down

Japan +0.5, Overseas -1.5

< Exchange rate fluctuation > 5% Increase

North America (mainly USD) +4.4
 Europe (mainly EUR) +4.0
 Greater China (mainly CNY) +7.1

② Operating Profit



< Exchange rate fluctuation >

- From transaction (Foreign currency export & import) +8.6
- From conversion (Overseas subs P&L conversion) +3.0

< Inventory devaluation >

- Increase in inventory turn-over ratio, decrease devaluation

< Operating capacity >

- Operating efficiency decreased from decrease in production volume.

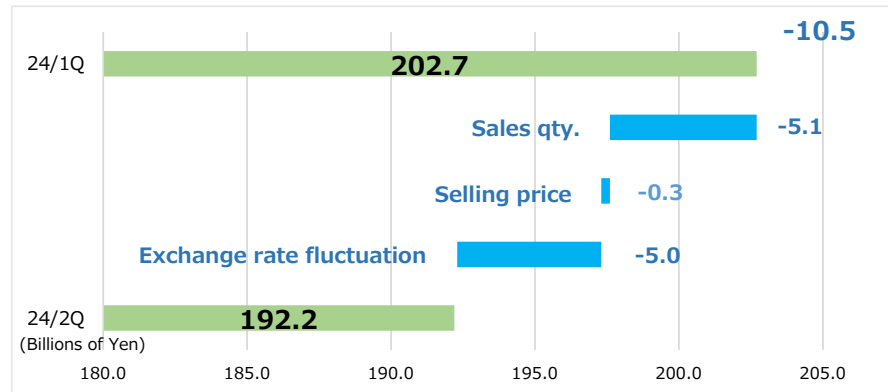
< SG&A expenses >

- Communication -0.3, Taxes -0.2, Personnel +0.1, Delivery expenses +0.7

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

① Net Sales

(Billions of yen)



< Sales qty. > 3% decrease

Japan -0.0 (-0%), North America -1.3 (-4%),
 Europe -1.4 (-4%), Greater China -2.6 (-5%),
 Other Asia +0.0 (+1%)

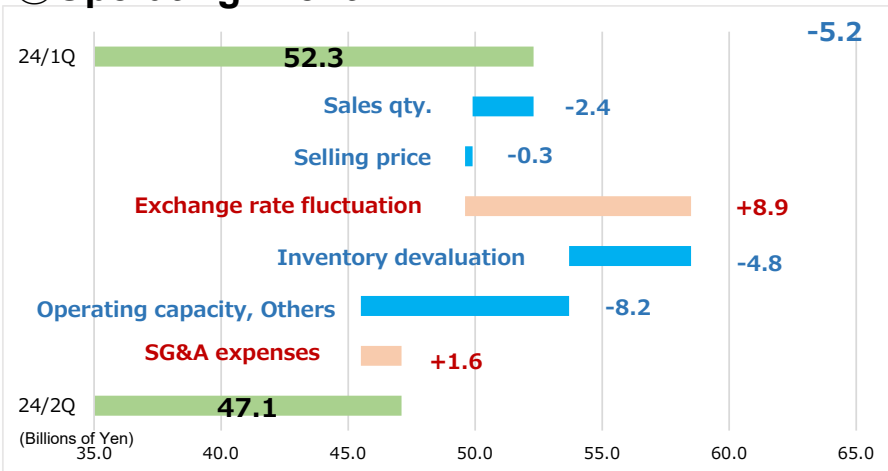
< Selling price > 0.2% down

Japan -0.5, Overseas +0.1

< Exchange rate fluctuation > 2% decrease

North America (mainly USD) -1.5
 Europe (mainly EUR) -0.7
 Greater China (mainly CNY) -1.6

② Operating Profit



< Exchange rate fluctuation >

- From transaction (Foreign currency export & import) -9.7
- From conversion (Overseas subs P&L conversion) -0.8

< Inventory devaluation >

- Decrease in inventory turn-over ratio, increase in devaluation.

< Operating capacity >

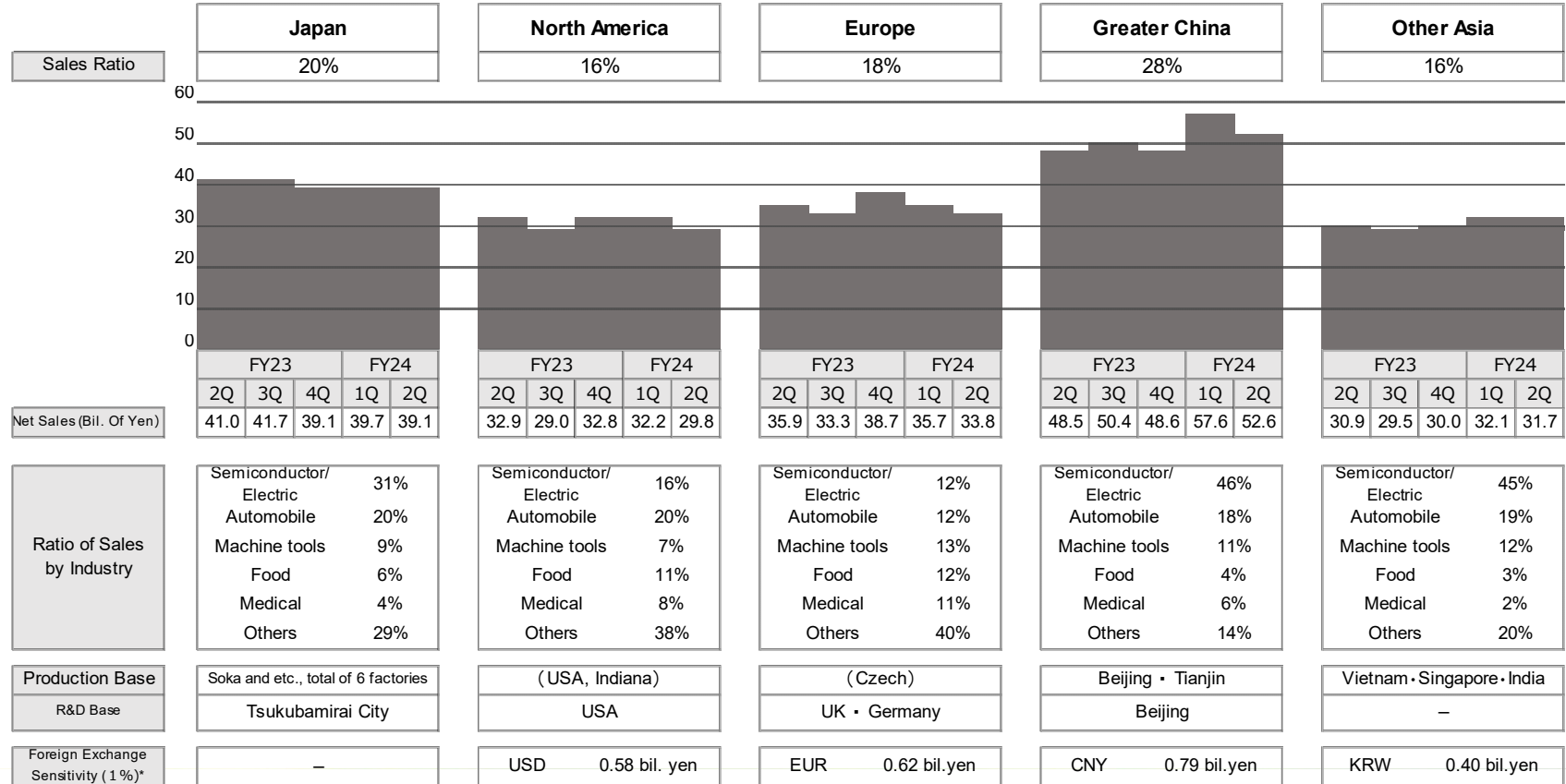
- Operating efficiency decreased from decrease in production volume.

< SG&A expenses >

- Welfare +0.2, Taxes +0.5, Personnel +0.7



[Quarterly] Consolidated Net Sales by Location



*Impact to operating profit from 1% exchange rate change (total impact of the above major currencies is approximately 2.9 billion yen)



Consolidated Balance Sheet

(Billions of Yen)

	FY23	FY24/2Q	Change	
Assets	2,094.5	2,061.6	-32.8	-1.6%
Current assets	1,307.9	1,351.2	43.2	3.3%
(①Cash and deposits)	(511.2)	(521.3)	(10.0)	(2.0%)
(Trade receivables)	(217.6)	(197.7)	(-19.8)	(-9.1%)
(②Securities)	(0.0)	(27.9)	(27.9)	(-)
(Inventories)	(519.5)	(505.9)	(-13.5)	(-2.6%)
Non-current assets	786.5	710.4	-76.1	-9.7%
(③Investment securities with fair value)	(155.0)	(121.8)	(-33.2)	(-21.5%)
(④Insurance funds)	(147.1)	(89.9)	(-57.2)	(-38.9%)
*Cashable Financial Assets ①+②+③+④	813.5	761.1	-52.4	-6.4%
Liabilities	208.6	182.9	-25.7	-12.3%
Current liabilities	164.6	144.1	-20.4	-12.4%
(Trade payables)	(58.8)	(48.2)	(-10.5)	(-17.9%)
Non-current liabilities	44.0	38.8	-5.2	-12.0%
Net assets	1,885.8	1,878.6	-7.1	-0.4%
Equity ratio	89.8%	91.1%	+1.3	
Net assets per share (yen)	29,338	29,365	+27	
ROE	10.0%	4.2%	(*The annualized rate 8.3%)	

(Billions of Yen)

	FY23	FY24/2Q	Change
Total inventory	519.5	505.9	-13.5
Merchandise and finished goods	197.3	182.6	-14.6
Work in process	37.2	33.3	-3.9
Raw materials, parts and supplies	285.0	289.9	4.9

Impact due to exchange rate fluctuation -8.4

Impact due to inventory devaluation -6.4

Actual change 1.2

FY average monthly sales ratio	8.0	7.7	-0.3
Closing month sales ratio	7.9	8.2	0.3

Closing exchange rate

USD	151.40	142.82	-8.58
EUR	163.28	159.53	-3.75
CNY	20.84	20.47	-0.37



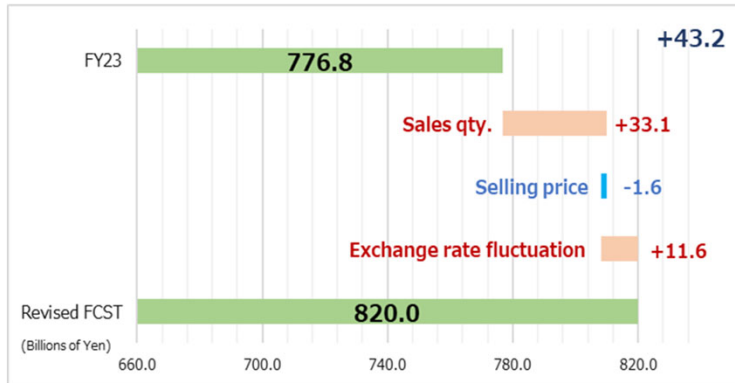
Revision of Forecast

(Billions of Yen)

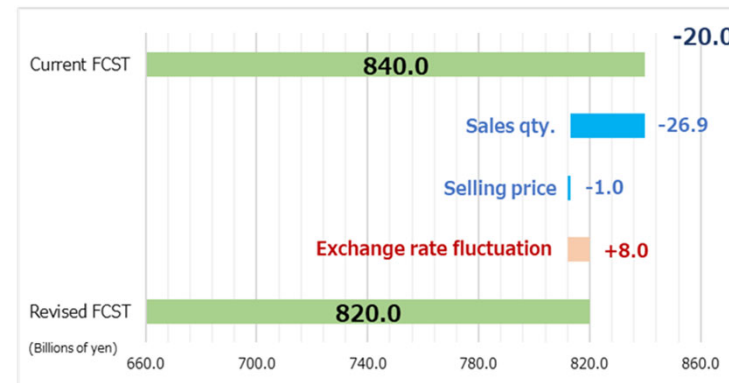
	FY23		FY24		FY24		YoY		FCST vs FCST	
	Result		Current		Revised		(FY23 vs		(Current FCST vs	
	Amount	vs net sales	Amount	vs net sales	Amount	vs net sales	Amount	%	Amount	%
Net Sales	776.8		840.0		820.0		43.1	5.6%	-20.0	-2.4%
Cost of sales	413.7	53.3%	428.0	51.0%	432.0	52.7%	18.2	4.4%	4.0	0.9%
Gross profit	363.0	46.7%	412.0	49.0%	388.0	47.3%	24.9	6.9%	-24.0	-5.8%
Selling, general & administrative expenses	166.8	21.5%	178.0	21.2%	174.0	21.2%	7.1	4.3%	-4.0	-2.2%
Operating profit	196.2	25.3%	234.0	27.9%	214.0	26.1%	17.7	9.1%	-20.0	-8.5%
Ordinary profit	251.0	32.3%	274.0	32.6%	238.0	29.0%	-13.0	-5.2%	-36.0	-13.1%
Net profit	178.3	23.0%	194.0	23.1%	167.0	20.4%	-11.3	-6.3%	-27.0	-13.9%
Average exchange rate										
USD	144.58		146.00		149.00		+4.42	3.0%	+3.00	2.0%
EUR	156.74		158.00		162.00		+5.26	3.3%	+4.00	2.5%
CNY	21.15		20.50		20.80		-0.35	-1.7%	+0.30	1.4%
Capital expenditure	105.5		120.0		120.0		14.4	13.7%	0.0	0.0%
Depreciation	33.3		44.0		44.0		10.6	31.9%	0.0	0.0%
R&D expenses	31.1		35.0		35.0		3.8	12.4%	0.0	0.0%
Dividend per share (JPY)	950		1,000		1,000		50		0	

Factors of Change of Net Sales and Operating Profit for Revised FCST

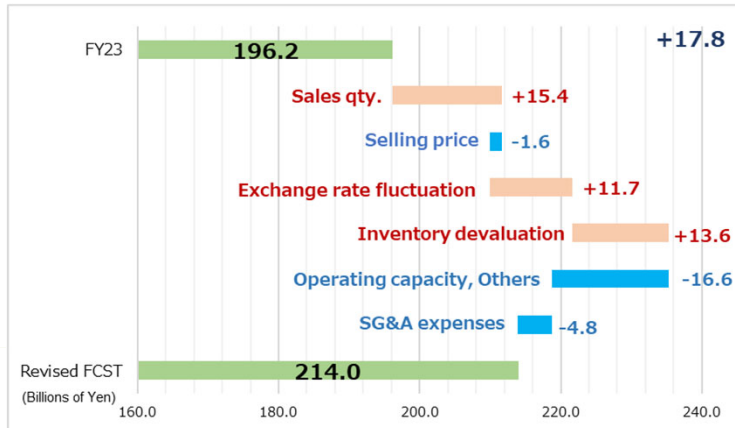
【FY23 vs FY24 Revised FCST】 Net Sales



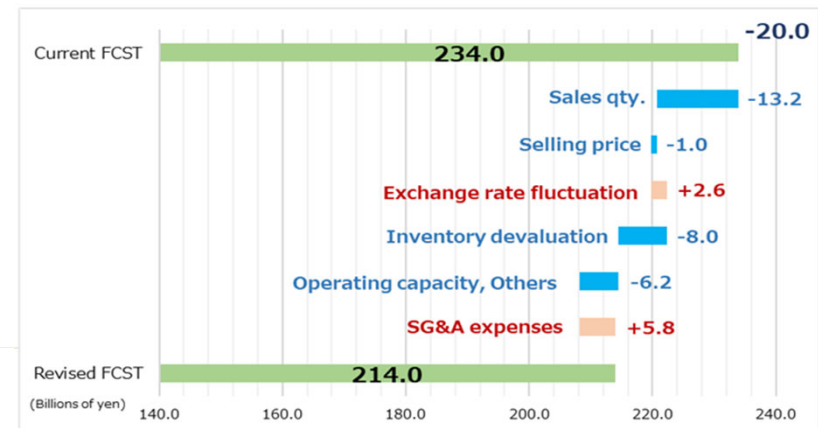
【Current vs Revised FCST】 Net Sales



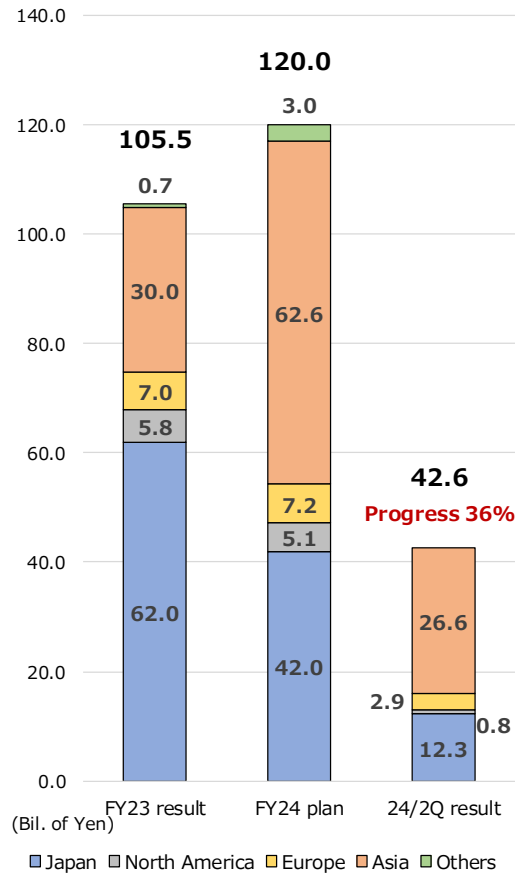
【FY23 vs FY24 Revised FCST】 Operating Profit



【Current vs Revised FCST】 Operating Profit



Capital Expenditure



(Billions of yen)

Function	Place
----------	-------

PRD	Japan
	Overseas

Admin. R&D Sales Logistics	Japan
	Overseas

Total

FY24 Plan	
-----------	--

Plan	Item
------	------

30.9	Tono Fac. Shimotsuma Fac. Kamaishi Fac.
	57.1

11.1	New HQ building New Technical Center East&West Logistics
	20.9

120.0	
-------	--

24/2Q	
-------	--

Result	Item
--------	------

6.8	Tono Fac. Shimotsuma Fac. Kamaishi Fac.
	24.7

5.5	New HQ building New Technical Center East&West Logistics
	5.6

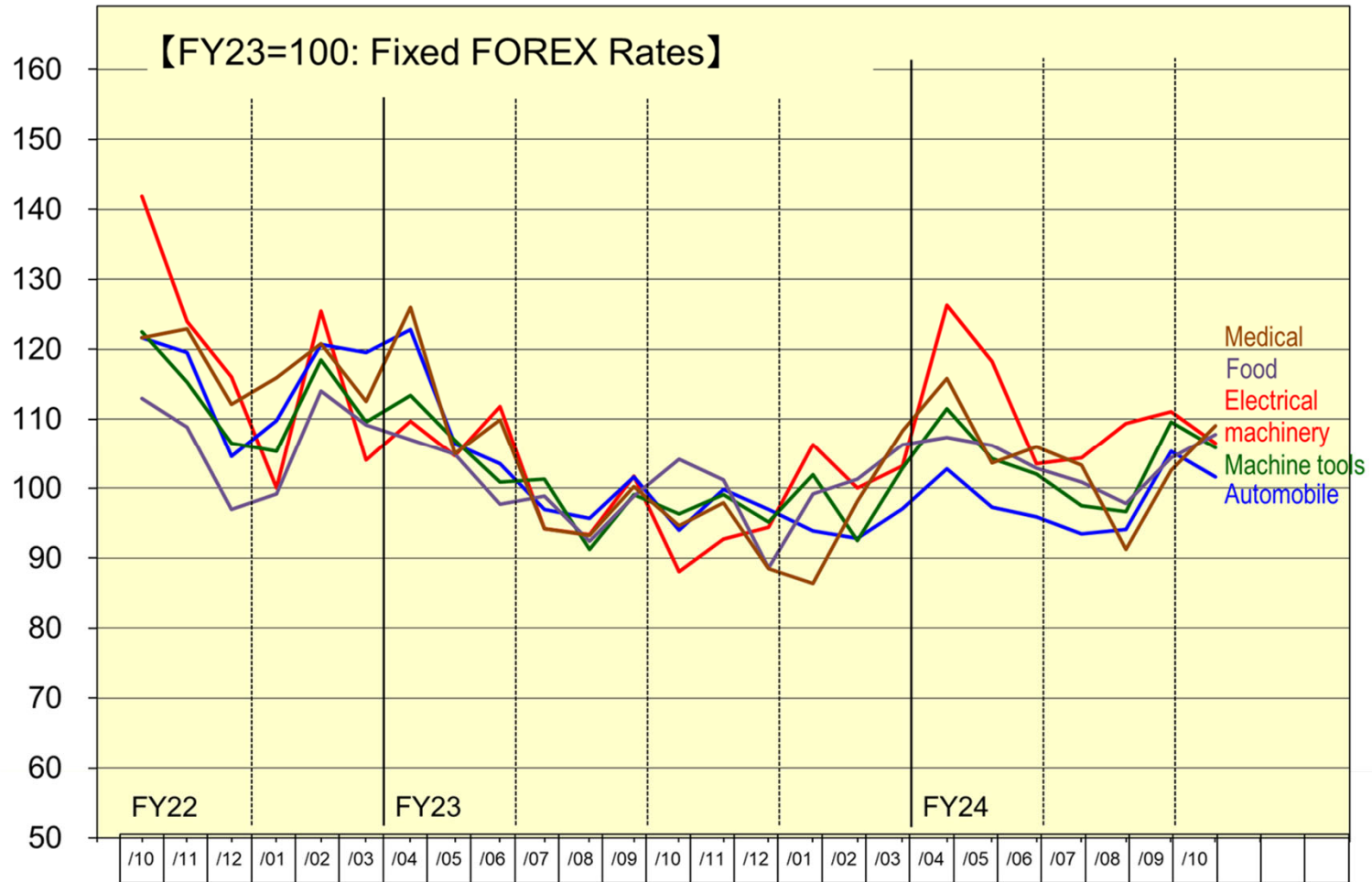
42.6	
------	--

Current Order Situation (FY23=100)

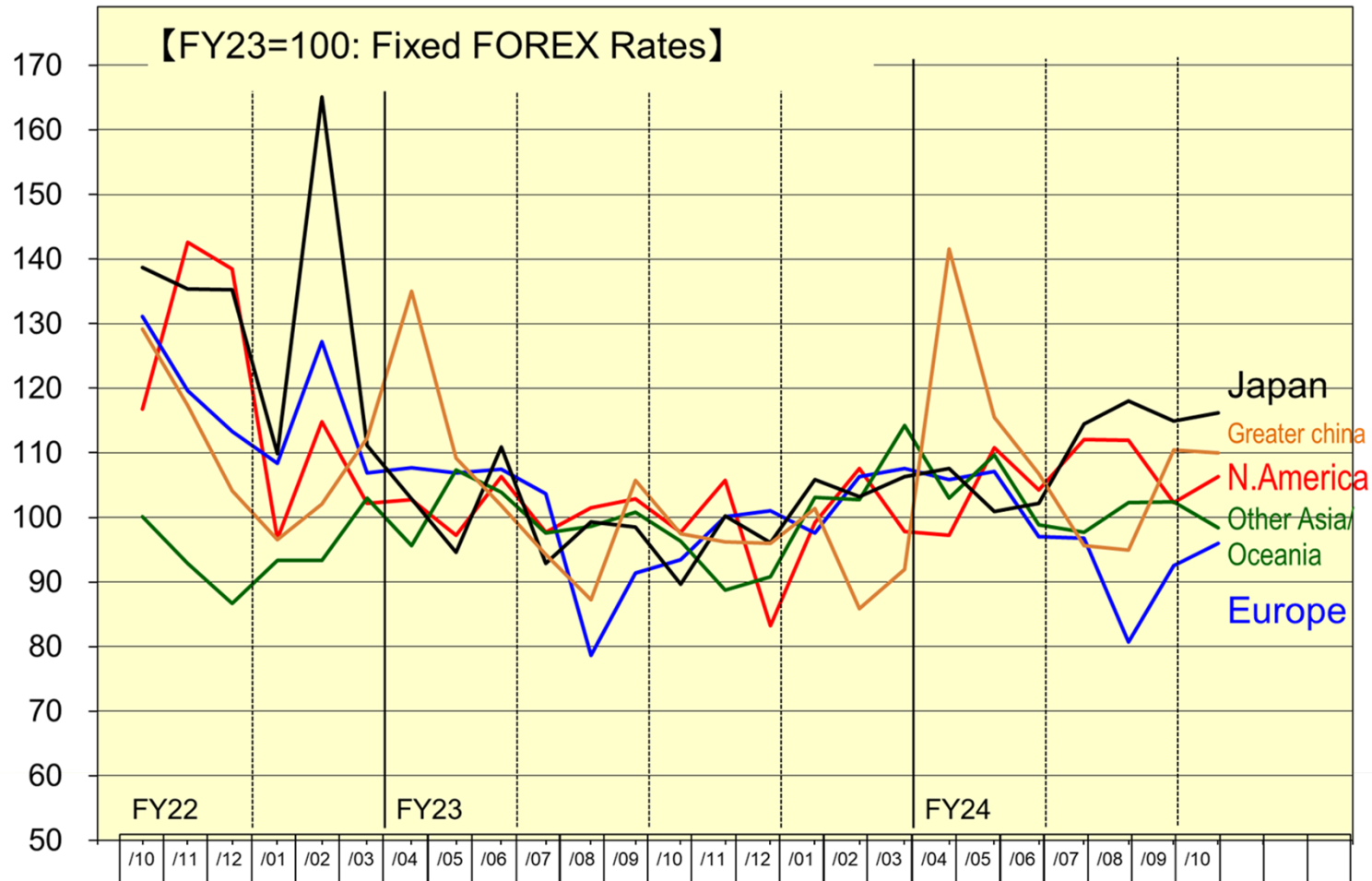
		FY24	'24/1Q	'24/2Q	'24/10	24/10 Situation
Consolidated	Semiconductor/Electric	111	116	108	107	[Increase] Greater China [Slowing down] Japan
	Automobile	99	99	97	102	[Increase] Japan, Greater China [Weak tone] North America
	Machine tools	104	106	101	106	[Increase] Japan, North America, Greater China
	Foods	104	106	101	108	[Increase] Europe, Greater China
	Medical	105	109	99	109	[Increase] Japan, North America, Greater China
	Other	105	107	101	107	
Japan		111	104	116	116	[Firm tone] Automobile, Machine tools [Slowing down] Semiconductor
North America		107	104	109	106	[Increase] Medical [Weak tone] Semiconductor, Automobile
Europe		97	104	90	96	[Increase] Food [Low performance] Electric, Automobile
Greater China		111	122	100	110	[Increase] All industries
Other Asia/ Oceania		102	104	101	98	[Increase] Machine tools [Slowing down] Semiconductor, Automobile
Consolidated		106	109	103	106	



Consolidated Orders Trend By Industry




Consolidated Orders Trend By Region





Reference: SMC Market Share Trend up-to FY23 (SMC Estimates)

	'19		'20	'21	'22	'23
Rate(JPY/\$)	(108.71)		(106.12)	(112.39)	(135.56)	(144.58)
Japan	65		65	63	62	62
North America	26		27	32	33	34
Europe	22		24	23	23	22
Asia/Oceania	47	 Greater China Other Asia/Oceania	41	43	40	36
			59	59	53	53
Global Total	37		38	39	37	36

*Greater China:
China, Hong
Kong, Taiwan



1. Summary of Financial Results for the 2nd Quarter Ended September 30, 2024

2. Topics



Business model contributing to the maintenance and improvement of the global environment

SMC Group will provide positive contributions in sustaining and improving global environment with concentrating management resources into manufacturing and selling automatic control equipment and expanding our customers in various industries all over the world.

1. Customers can save energy consumption for production and emission of GHG with our small, lightweight and cutting-age product
2. SMC Group take advantage of energy-saving system in our factories, and also provide with our suppliers.
3. Customers can save huge energy consumption for semiconductor production by using chiller that has excellent ability to saving power.

Saving energy and GHG emission by using our product

(1) The Concept of “4 BAR Factory”

- ① Lowering air pressure in compressed air plumbing in factories from 7 to 8 atmosphere to 4.
- ② Automatic pressure control with AMS (Air Management System) : Visualization on air consumption, such as supply interruption of air in case the production lines are not operating.
- ③ Visualization and repairment on air leakage : There is no plumbing with zero leakage.
- ④ Increasing pressure partially with Recycle Booster
- ⑤ Utilizing small and lightweight equipment : Excellent functionality with less air consumption

(2) Expected Energy Saving Effects

20% out of electric power consumed in a plant is by compressor used to make compressed air.
By reducing compressed air consumption by half, customers can save 10% out of their energy consumption.

(3) Preliminary introduction to our own and suppliers' factories

Convert our own factories and those of cooperating companies into “4 BAR Factory” so that customers can see how they are operating.

Tono Supplier Park will install the “4 BAR Factory” as standard, enabling energy-saving operation.



Save energy for semiconductor manufacturing process – by using our chillers excellent for saving electricity consumption

(1) Competitiveness of our chillers in semiconductor manufacturing process

- ① Sufficient temperature control performance with less than half the power consumption of competitors
- ② Tighter regulations in Europe and California to lower the global warming potential (GWP) of refrigerants (chlorofluorocarbon gas). Compatible products with low GWP were released in September this year
- ③ CFC gas (PFAS) remains in soil and water, class action for PFAS producers in the U.S.
CO₂ refrigerant (GWP=1, CFC-less) products were released in September this year

(2) Expected Energy Saving Effects

- ① Contribution to GHG reduction (Scope 2 disclosure) by end users
- ② Reduction of electricity costs
40% of electricity consumed in semiconductor factories (production facilities) is consumed by temperature control equipment
Reduce to about half → 20% of electricity reduction
- ③ Contribution to stable power supply in the region
As the power consumption of semiconductor factories is huge, reducing the load on power has positive contribution to utility companies and the local communities.

Resilient product supply / Establishing BCP system

<Expanding production capacity in consideration of BCP>

- ① Establish a new supply chain system to ensure a stable supply of products
Previously, each product was centrally manufactured at one plant for efficiency, but the company intends to move to multiple production and parts supply sources in near future.
 - ② Geopolitical risks between the U.S. and China and regional conflicts, the rise of protectionism, severe weather disasters, pandemics, cyber-attacks, and other factors are increasing the uncertainty in the business environment.
- It takes some time for capital investment to increase production and lead to increased sales. The shift to multiple production sites and multiple sources of parts procurement will have negative impact to operating efficiency in the short term. These are expected to be resolved with a commensurate increase in sales volume and production volume.



Global Production Shift to Vietnam and Tono Supplier Park

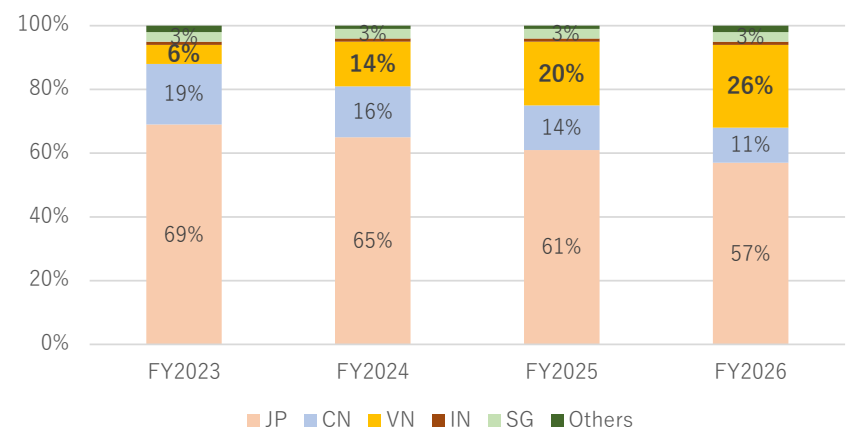
<Shift of production to Vietnam>

Production of mass-produced products to be supplied globally is being shifted from China to Vietnam, where labor costs are lower, and the scale of production will be more than China in the next fiscal year. Chinese plants will shift to production of products to be sold to the Chinese market. The company plans to achieve further cost reductions by promoting local production and local consumption, including local procurement of parts.

<Tono Supplier Park>

Tono Supplier Park will be completed in August 2025 and will house approximately 20 suppliers of major components. Located adjacent to the Company's Tono Plant, it is expected to offer cost advantages such as synchronization of production and rationalization of logistics, as well as contribute to the resilience of production in emergency case.

Production ratio by countries



Tono Supplier Park Rendering





China Market Situation and Strategy

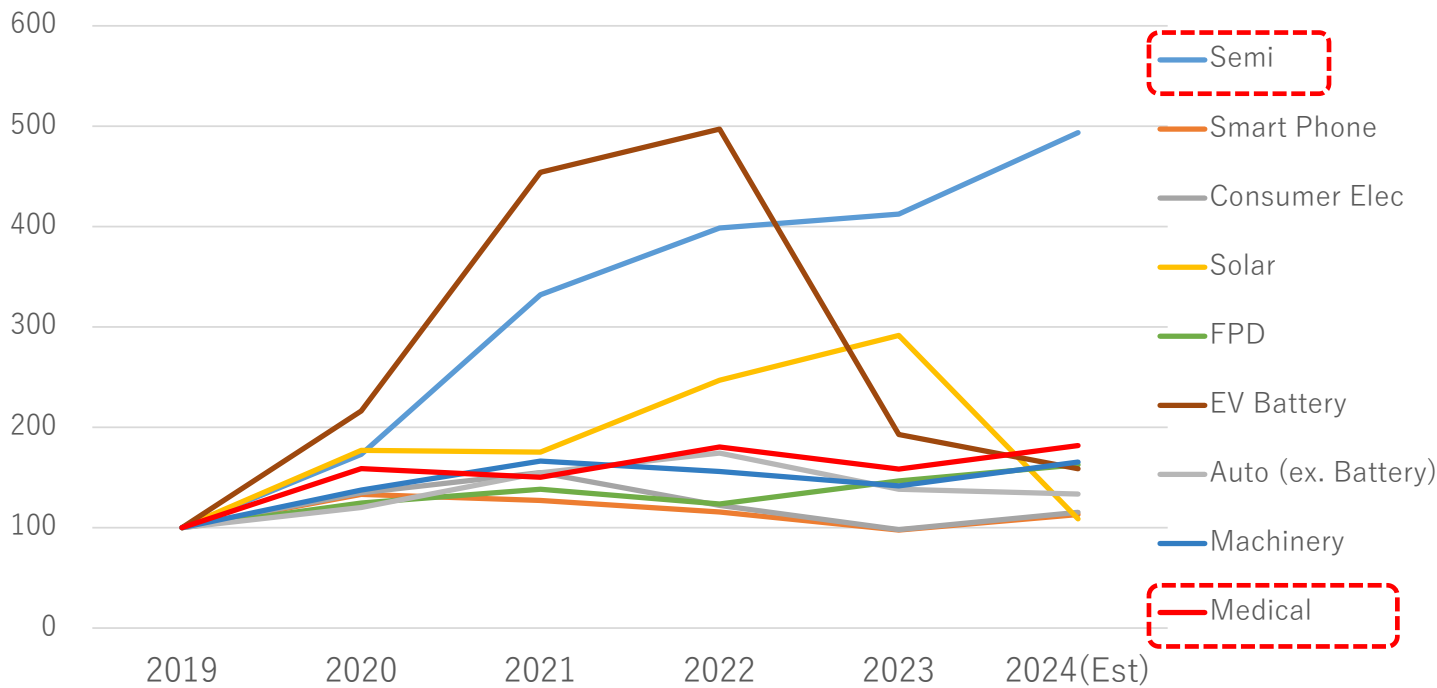
<Chinese Market Situation>

- ① Domestic demand remains sluggish and deflation continues. Manufacturers, who are end users of our products, are cutting their capital investment. As a result, price competition is intensifying, especially for commodity products, and product selling prices are declining.
- ② Domestic production of semiconductors increase from the perspective of geopolitical risk. Demand in the medical industry also increase due to an aging population.

<Strategies for Chinese market>

- ① Focus on semiconductors and medical industry : Our products are competitive, accounting for around 1/4 of total China sales
Sales to semiconductor industry will increase to 5 times from FY2019, 18.5% of total China sales in FY2024 (forecast)
Sales to the medical industry will double from FY2019, 5.8% of total China sales in FY2024 (forecast)
- ② Deployment of "4BAR Factory" and energy-saving proposals that leverage technological advantage and wide product lineup
In the first half of FY2024, cooperating with the government and industry associations and hold exchange meetings, etc.
More than 1,400 visitors from 210 companies toured SMC Beijing 4BAR factory, and sales of energy-saving products increased.
- ③ Local production and local consumption in China
Customers tend to prefer made in China products from the viewpoint of strengthening their procurement network.
We increased domestic production ratio through increased KD (knockdown) production: 7% increase compared to FY2022
Expanding sales opportunities through flexible pricing and shorter delivery times by reducing manufacturing costs

China Market Sales by industry FY2019-2024



The recent trend is capital investment to increase in industries subject to government subsidies, and then to decrease sharply when the subsidies are terminated.

Typical examples are the increase in EV battery-related sales in 2021 and 2022 and solar power generation-related sales in 2023.

FY2019 sales in each industry in China (local currency) indexed to 100

FY2024 forecast is 1H actual x2



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

