Dear Shareholders,

(Security Code: 6273)
June 3, 2015

Notice of the 56th Ordinary General Meeting of Shareholders

Notice is hereby given to cordially invite you to attend the 56th Ordinary General Meeting of Shareholders of SMC Corporation ("Company") to be held as described below.

If you are unable to attend the meeting in person, you are entitled to cast your vote in writing or via the Internet. In this regard, we cordially request that you study the attached "Reference Documents for the General Meeting of Shareholders" and exercise your voting right by 5:00 p.m., on June 24, 2015(Wednesday).

Sincerely,

Katsunori Maruyama
President
SMC Corporation
4-14-1,Soto-Kanda,Chiyoda-ku, Tokyo

1. Date and Time June 25, 2015 (Thursday) 10:00 a.m.

2. Venue Conference Room, SMC Corporation
Akihabara UDX Building (15F),
4-14-1, Soto-Kanda, Chiyoda-ku, Tokyo

3. Agenda

Matters to be reported

Business Report, Consolidated and Non-consolidated Financial Statements, and Audit Report for Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors, for the 56th fiscal term (April 1, 2014 to March 31, 2015)

Matters to be resolved

Proposal 1. Dividend of Surplus
Proposal 2. Election of 14 Directors
Proposal 3. Election of 2 Corporate Auditors
Proposal 4. Award of Directors' Retirement Benefits to Retiring Directors

Should it become necessary to revise the Appendix or Reference Documents for the General Meeting of Shareholders attached to this Notice, those revisions will be shown on the Company's website*

***The Company's website address: http://www.smcworld.com/ir/en/**

Proposals and References

Proposal 1 Dividend of Surplus

The Company maintains a basic long-term policy on profit appropriation, namely ensuring adequate and stable dividends to shareholders, while enhancing its financial structure to prepare for capital demands accompanied by the changes in business environments and future business expansions.

This is to propose that the dividend of surplus for the term be made as described below.

(1) Allocation of divisible assets payable to shareholders and total amount

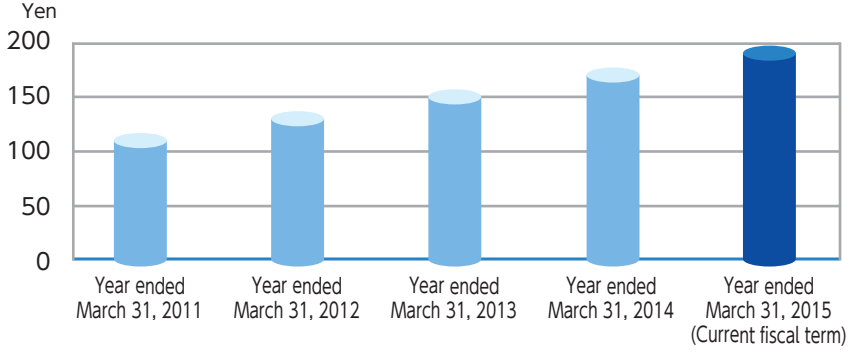
100 yen per share on the Company's common shares
Total amount: 6,722,198,800 yen

(2) Effective date of the dividends from surplus

June 26, 2015
Should the aforementioned proposal for the year-end dividend be approved, the annual dividend per share including the interim dividend will be 190 yen, an increase of 20 yen from the previous fiscal year.

Reference:

① Changes in dividend per share



② Acquisition of treasury shares

As part of profit appropriation to its shareholders, the Company acquired 360,900 treasury shares (total acquisition cost of 9,998 million yen) during the period from June 2 to 13, 2014.

The Company also retired 1,500,000 treasury shares on December 1, 2014.

Proposal 2 Election of 14 Directors

The term of office of the current 18 Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Hence, this is to request the election of 14 Directors (of which 13 Directors will be reappointed and 1 Director will be newly elected; 2 of the Directors are candidates for Outside Directors). The number of Outside Directors will increase by one and the number of Directors serving concurrently as Executive Directors will decrease by five so that management transparency can be strengthened and the Board of Directors' functions can be placed more on the monitoring of management activities.

The names and profiles of the candidates for Directors are as follows.

	Name (Date of birth)	Brief personal profile, position, assignment of work and important concurrent position at other organization
1	[Reappointed] **Yoshiyuki Takada** (August 20, 1926) Number of the Company's shares held 16,917 shares	April 1959 Established the Company, Director May 1964 Executive Managing Director December 1988 Senior General Manager of Sales Headquarters May 1989 President August 2002 Chairman, SMC US (Incumbent) July 2004 Chairman, the Company (Incumbent)
2	[Reappointed] **Katsunori Maruyama** (March 25, 1947) Number of the Company's shares held 1,900 shares	June 1970 Joined the Company June 1993 Director Manager of Sales Administration Division June 1999 General Manager of Planning & Intelligence Service Division June 2001 Managing Director July 2002 Executive Managing Director July 2003 Executive Vice-president July 2004 President (Incumbent)
3	[Reappointed] **Ikuji Usui** (August 20, 1943) Number of the Company's shares held 1,600 shares	June 1993 Joined the Company, Director General Manager of Administration Division June 1999 Vice Senior General Manager of Administration Headquarters June 2001 Managing Director June 2001 Senior General Manager of Administration Headquarters (Incumbent) July 2003 Executive Managing Director (Incumbent)

	Name (Date of birth)	Brief personal profile, position, assignment of work and important concurrent position at other organization	
4	[Reappointed] **Seiji Kosugi** (March 9, 1945) Number of the Company's shares held 8,300 shares	April 1967 June 1999 June 2002 June 2007 June 2008 July 2009 February 2010 June 2013	Joined the Company General Manager of Product Development Division 1 Director Executive Advisory Engineer Director Vice Senior General Manager of Engineering Headquarters Managing Director Executive Managing Director and Senior General Manager of Engineering Headquarters (Incumbent)
5	[Reappointed] **Masahiko Satake** (January 19, 1947) Number of the Company's shares held 900 shares	April 1969 November 2001 June 2007 July 2012 June 2013	Joined the Company General Manager of Production Division 3 Director Managing Director and Vice Senior General Manager of Production Headquarters Executive Managing Director and Senior General Manager of Production Headquarters (Incumbent)
6	[Reappointed] **Yoshiki Takada** (June 6, 1958) Number of the Company's shares held 743,062 shares	April 1987 June 1991 June 1994 June 2002 July 2003 April 2004 June 2014	Joined the Company On loan to SMC US Director of the Company in charge of Management for North America and South America Zone Managing Director (Incumbent) In charge of Overseas Operations President, SMC US (Incumbent) Managing Director of the Company in charge of Management for North America , Central and South America Zone (Incumbent)
7	[Reappointed] **Eiji Ohashi** (September 19, 1951) Number of the Company's shares held 1,000 shares	April 2004 February 2005 June 2006 July 2012	Joined the Company General Manager of Finance & Accounting Division (Incumbent) Director Managing Director (Incumbent)

	Name (Date of birth)	Brief personal profile, position, assignment of work and important concurrent position at other organization	
8	[Reappointed] **Osamu Kuwahara** (April 18, 1949) Number of the Company's shares held 1,200 shares	April 1972 August 2005 June 2009 July 2009 June 2011 June 2013 September 2013	Joined the Company Manager of Sales Engineering Division Director General Manager of Corporate Business Planning Division General Manager of Sales Engineering Division (Incumbent) Managing Director (Incumbent) Senior General Manager of Marketing Headquarters (Incumbent)
9	[Reappointed] **Koichi Shikakura** (September 9, 1951) Number of the Company's shares held 1,200 shares	July 2000 June 2001 June 2008 November 2008 September 2013	Joined the Company General Manager of Quality Assurance Division General Manager in charge of Production in the Production Headquarters and General Manager of Corporate Production Planning Division General Manager of Production Division 4 General Manager of Production Headquarters and General Manager of Production Engineering Division (Incumbent)
10	[Reappointed] **Koji Ogura** (January 8, 1954) Number of the Company's shares held 300 shares	February 1980 November 2007 June 2010 July 2010	Joined the Company Manager of Hamamatsu Sales Office Director (Incumbent) General Manager of Sales Headquarters (Incumbent)

	Name (Date of birth)	Brief personal profile, position, assignment of work and important concurrent position at other organization
11	[Reappointed] **Motoichi Kawada** (October 18, 1959) Number of the Company's shares held 700 shares	April 1982 Joined the Company October 2004 Manager of Okayama Sales Office November 2007 Sales Headquarters West Japan Block Leader June 2010 Director (Incumbent) July 2010 General Manager of Sales Headquarters (Incumbent)
12	[Reappointed] **Susumu Takada** (August 16, 1951) Number of the Company's shares held 291 shares	July 1975 Joined the Company April 2002 Deputy General Manager of Product Development Division 3 July 2004 General Manager of Purchasing Division February 2010 General Manager of Production Division 2 June 2013 Director (Incumbent) September 2013 General Manager of Production Headquarters (Incumbent)

13

[Reappointed]

Candidate for Outside Director

Masanobu Kaizu

(December 27, 1951)

Number of the Company's shares held 0 shares

Name (Date of birth)	Brief personal profile, position, assignment of work and important concurrent position at other organization
	April 1975 Joined Nomura Research Institute, Ltd.
	June 1994 General Manager of Investment Research Division
	April 1997 General Manager of Investment Research Division, Nomura Securities, Co., Ltd. Financial Research Center
	June 2000 Vice President and General Manager of Corporate Research Division, Nomura Securities, Co., Ltd. Financial Research Center
	April 2002 Executive Officer of Nomura Securities, Co. Ltd. and President of Financial Research Center
	July 2007 Executive Officer, Nomura Securities, Co. Ltd. and Chief Research Officer of Financial and Economic Research Center
	January 2012 Senior Research Fellow and Adviser, Nomura Securities Co., Ltd. Financial and Economic Research Center (Incumbent)
	June 2014 Outside Director of the Company (Incumbent)

Important concurrent duties

Senior Research Fellow and Adviser, Nomura Securities Co., Ltd. Financial and Economic Research Center
Vice Chairman, The Securities Analysts Association of Japan
Director, Financial Accounting Standards Foundation

[Reason for electing as a candidate for Outside Director]

- Mr. Masanobu Kaizu is a distinguished economist and securities analyst having a superb personality, insights, and abundant knowledge of economic situations, financial market conditions, corporate management and financial accounting, with broad experience in relevant business activities. He has made proposals on management policies based on his own professional knowledge from the standpoint of protecting the interests of general shareholders and investors in particular, monitoring the Company's management activities from a neutral and objective point of view, enhancing management transparency further, and improving corporate value in the medium- and long-run by promoting continuous corporate growth.
  With the expectation that he can continuously fulfill these roles, he has been elected as a candidate for Outside Director.
- According to the Company's judgment, Mr. Kaizu is capable of carrying out his duties as Outside Director for the above-mentioned reasons and considering his experience as the Company's Outside Director although he has not directly been involved in corporate management before, except the said experience.

[Other special notes concerning the Candidates for Outside Directors]

- The Company has made a contract with Mr. Kaizu for the limitation of liability in accordance with Article 427, Paragraph 1 of the Company Law and Article 27 of the Company's articles of incorporation (a contract limiting the amount of liability under Article 423, Paragraph 1 of the Company Law to the maximum amount stipulated by law).
  If Mr. Kaizu is reelected, the Company plans to continuously make the said contract with him.
- The Company has also designated Mr. Kaizu as an independent director as stipulated by the Tokyo Stock Exchange, Inc. ("TSE"), and registered him as such with the TSE.
- One year will pass at the conclusion of this Ordinary General Meeting of Shareholders after he is elected the Company's Outside Director.

Name (Date of birth)	Brief personal profile, position, assignment of work and important concurrent position at other organization

14

Newly appointed Director

Candidate for Outside Director

Toshiharu Kagawa

(November 12, 1950)

Number of the Company's shares held 0 shares

May 1996	Professor, Precision and Intelligence Laboratory, Tokyo Institute of Technology
May 2012	President, Japan Fluid Power System Society
January 2014	Professor, Interdisciplinary Graduate School of Science and Engineering (Incumbent)

Important concurrent duties

Professor, Interdisciplinary Graduate School of Science and Engineering

[Reason for electing as a candidate for Outside Director]

・Mr. Toshiharu Kagawa is a Doctor of Engineering specializing in flow measurement and control, with a superb personality and insights. His specialization and the Company's business areas are very closely related.
He has been elected as a candidate for Outside Director with the expectation that he can give the Company advice on management policies mainly in relation to research and development activities and measures for the training of engineers based on his specialized knowledge and wide experience as a researcher and educator. He is also expected to monitor the Company's management activities from a neutral and objective point of view, enhance management transparency further, and improve corporate value in the medium- and long-run by promoting continuous corporate growth.

・According to the Company's judgment, Mr. Kagawa is capable of carrying out his duties as Outside Director for the above-mentioned reasons although he has not directly been involved in corporate management before.

[Other special notes concerning the Candidates for Outside Directors]

・The Company plans to make a contract with Mr. Kagawa for the limitation of liability in accordance with Article 427, Paragraph 1 of the Company Law and Article 27 of the Company's articles of incorporation (a contract limiting the amount of liability under Article 423, Paragraph 1 of the Company Law to the maximum amount stipulated by law).

・The Company also plans to designate Mr. Kagawa as an independent director as stipulated by the Tokyo Stock Exchange, Inc. ("TSE"), and register him as such with the TSE.

(Note) No special interests exist between the candidates and the Company

Proposal 3 Election of 2 Corporate Auditors

The term of office of 3 out of the current 4 Corporate Auditors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Hence, this is to request the election of 2 Corporate Auditors (of which 1 Corporate Auditor will be reappointed and 1 Corporate Auditor will be newly elected; both are candidates for Outside Corporate Auditors).

This Proposal has been approved by the Board of Corporate Auditors.

The names and profiles of the candidates for Corporate Auditors are as follows.

	Name (Date of birth)	Brief personal profile, position and important concurrent position at other organization
1	[Reappointed] Candidate for Outside Corporate Auditor **Yoshiaki Ogawa** (September 11, 1944) Number of the Company's shares held 0 shares	April 1970 Appointed as a judge May 1978 Retired as a judge, registered as an attorney at law April 2004 Chairman, Shizuoka Bar Association June 2009 Outside Corporate Auditor of the Company (Incumbent) **Important concurrent duties** Attorney at law

[Reason for electing as a candidate for Outside Corporate Auditor]

- Mr. Yoshiaki Ogawa is an experienced attorney at law. He is familiar with corporate law and has a superb personality and insights.
  Mr. Ogawa has conducted the Company's management audit from a neutral and objective point of view, focusing on legal risk management based on his professional knowledge and broad experience of corporate laws and compliance, and has made proposals on management in general.
  With the expectation that he can continuously fulfill these roles, he has been elected as a candidate for Outside Corporate Auditor.
- According to the Company's judgment, Mr. Ogawa is capable of carrying out his duties as Outside Corporate Auditor for the above-mentioned reasons and considering his experiences as the Company's Outside Corporate Auditor although he has not directly been involved in corporate management before, except the said experience.

[Other special notes concerning the Candidates for Outside Corporate Auditors]

- The Company has made a contract with Mr. Ogawa for the limitation of liability in accordance with Article 427, Paragraph 1 of the Company Law and Article 36 of the Company's articles of incorporation (a contract limiting the amount of liability under Article 423, Paragraph 1 of the Company Law to the maximum amount stipulated by law).
  If Mr. Ogawa is reelected, the Company plans to continuously make the said contract with him.
- The Company has designated Mr. Ogawa as an independent director as stipulated by the Tokyo Stock Exchange, Inc. ("TSE"), and registered him as such with the TSE.
- Six years will pass at the conclusion of this Ordinary General Meeting of Shareholders after he is elected the Company's Outside Corporate Auditor.

	Name (Date of birth)	Brief personal profile, position and important concurrent position at other organization
2	Newly appointed Corporate Auditor Candidate for Outside Corporate Auditor **Tatsuo Suzue** (November 30, 1952) Number of the Company's shares held 0 shares	April 1977 Appointed as a public prosecutor August 1979 Retired as a public prosecutor October 1979 Registered as an attorney at law **Important concurrent position** Attorney at law

[Reason for electing as a candidate for Outside Corporate Auditor]

- Mr. Tatsuo Suzue is an experienced attorney at law. He is familiar with corporate law and has a superb personality and insights.
  He has been elected as a candidate for Outside Corporate Auditor with the expectation that he can conduct the Company's management audit from a neutral and objective point of view, focusing on legal risk management based on his professional knowledge and broad experience of corporate laws and compliance. He is also expected to give the Company advice on management in general.
- According to the Company's judgment, Mr. Suzue is capable of carrying out his duties as Outside Corporate Auditor for the above-mentioned reasons although he has not directly been involved in corporate management before.

[Other special notes concerning the Candidates for Outside Corporate Auditors]

- The Company plans to make a contract with Mr. Suzue for the limitation of liability in accordance with Article 427, Paragraph 1 of the Company Law and Article 36 of the Company's articles of incorporation (a contract limiting the amount of liability under Article 423, Paragraph 1 of the Company Law to the maximum amount stipulated by law).
- The Company also plans to designate Mr. Suzue as an independent director as stipulated by the Tokyo Stock Exchange, Inc. ("TSE"), and register him as such with the TSE.

(Note) No special interests exist between the candidates and the Company

Proposal 4 Award of Directors' Retirement Benefits to Retiring Directors

This is to propose that Directors' retirement benefits be awarded to Messrs. Katsunori Tomita, Iwao Mogi, German Berakoetxea, Lup Yin Chan and Steve Bangs, who will retire upon expiration of their terms of office as Director at the conclusion of this Ordinary General Meeting of Shareholders, in recognition of their services. The amount shall be in the range of the standards prescribed by the Company's designated "Regulations for Directors' Retirement Benefits." We propose that the amount, timing and method of payment be determined by the Board of Directors.

The maximum amount of retirement benefits payable in accordance with the above shall be 60 million yen for retiring Directors.

Name and profile of retiring Directors are as follows.

	Name (Date of birth)	Brief personal profile	
1	Katsunori Tomita (June 13, 1945)	April 1968 April 1987 June 1999 June 2000 July 2003 July 2003 June 2013	Joined the Company Manager of Omiya Sales Office General Manager of Eastern Region Director Managing Director Senior General Manager of Sales Headquarters (Incumbent) Executive Managing Director (Incumbent)
2	Iwao Mogi (February 9, 1943)	July 1971 June 1999 June 2003	Joined the Company General Manager of Product Development Division 6 (Incumbent) Director (Incumbent)
3	German Berakoetxea (September 17, 1950)	October 1990 June 1999	President, SMC Spain (Incumbent) Director of the Company in charge of Management for European Zone (Incumbent)
4	Lup Yin Chan (May 21, 1943)	February 1986 October 1987 June 2010 July 2010	Joined SMC Hong Kong President, SMC Hong Kong (Incumbent) Director of the Company (Incumbent) In charge of Management for Asian and Oceania Zone (Incumbent)
5	Steve Bangs (April 30, 1950)	January 1984 June 1998 June 2014	Joined SMC UK Director and President, SMC UK Director of the Company in charge of Management for European Zone (Incumbent)

(Note) Profiles of retiring Directors are shown for reference purposes, and the amount of Directors' retirement benefits is calculated solely based on the term of office as Director.

1 Matters pertaining to the present status of the Group

❶ Main business activities:

Manufacturing and sales of automatic control equipment, including pneumatic instruments

1 Pneumatic instruments

Instruments that utilize the pressure of compressed air as core energy source and perform automatic operations such as pressing, gripping and turning the objects in place of the manual work by human hands

Key products: Air cylinders, Air grippers, Rod less cylinders, Solenoid valves, F.R.L., One-touch fittings, Vacuum units


Air dryer


Air line equipment


Solenoid valves


Air cylinders

2 Electric instruments

Key products
Electric actuators



3 Sensor

Key products
Pressure Switch
Flow Switch



4 Air preparation equipment & Heat exchanger

Key products
Refrigerated air dryer
Chiller Thermo-controller



(For reference) Case example of product introduction

SMC Group's products are making contributions to automation and labor-saving in a variety of industry sectors.

Automobile industry (automobile assembly line)



Semiconductor manufacturing equipment (coater/developer)



Machine tools (laser processing machine)



Food machinery (bottle filling machine)



Medical equipment (hematology analyzer)



❷ Business Progress and results

Looking at the global economy during the fiscal year ended March 31, 2015, the economic growth of emerging countries including China, Brazil and Russia slowed down further. Meanwhile, the U.S. economy continued to be strong with a stronger employment situation, mainly led by consumer spending, and the European economy started to show signs of recovery, supported by aggressive fiscal policies and the euro's depreciation. The Japanese economy remained on a recovery track, with a widespread movement to raise pay, etc. on the back of improved corporate performance thanks to a weaker yen and rises in stock prices although consumer spending tentatively declined due to the consumption tax hike.

Demand for pneumatic equipment, which is the flagship product of the SMC Group, was continuously solid not only in automobile-related industries but also in the semiconductor manufacturing equipment-related sector and the machine tool sector mainly in North America and in Asian countries.

Under such circumstances, the Group strengthened the sales force and distribution channels both domestically and globally, conducted sales expansion activities aggressively, and promoted capital investments to strengthen production capability with future prospects. The Group also continuously carried out activities to reduce production and distribution costs and to streamline its operations.

As a result, net sales for the year ended March 31, 2015 increased by 15.9% year on year to 458,081 million yen on a consolidated basis. Operating income also increased by 21.4% year on year to 127,686 million yen mainly because increased revenues driven by a weaker yen pushed up profits. Ordinary income grew by 31.2% year on year to 158,816 million yen mainly due to the posting of a significantly increased foreign exchange gain. Net income also increased by 27.0% year on year to 109,583 million yen.

The return on equity (ROE) rose by 1.2 percentage points year on year to 12.9%.



Yoshiyuki Takada
Chairman

Katsunori Maruyama
President

[Status of domestic sales]

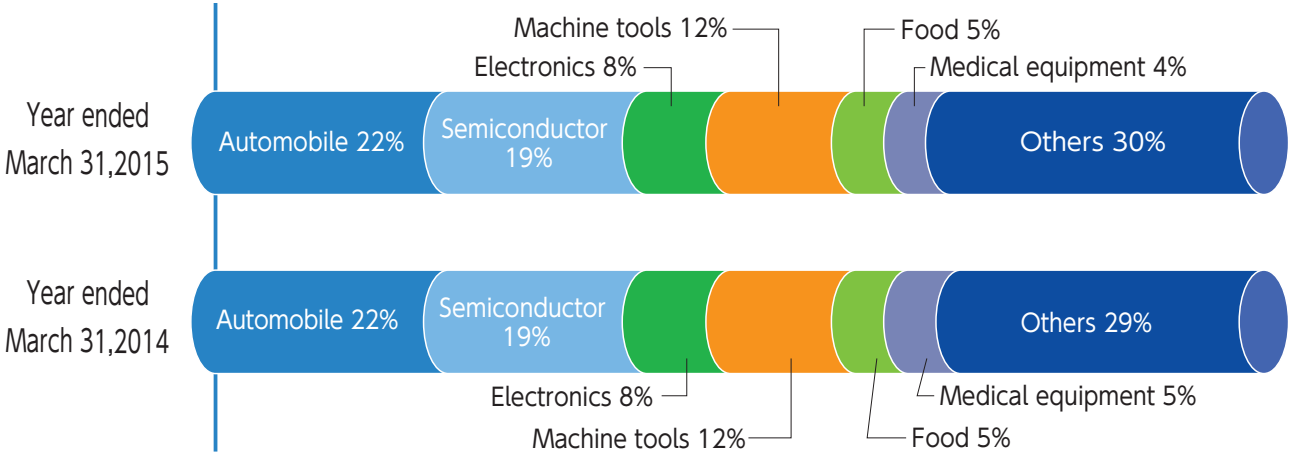
Domestic demand was strong and increased mainly for automobile-related products, semiconductor-related products, and machine tool-related products on the back of Japanese companies that restarted to make more capital investments domestically and needs for equipment replacement.

Looking at sales of the Group by industry, those in the automobile sector remained solid due to continuous overseas investments including investment in parts makers. In the semiconductor and liquid crystal-related sectors, sales for smartphones, in-vehicle electronic devices, etc. were strong. Machine tool-related sales also remained strong on the back of replacement demand. In addition, sales in the food machinery and medical equipment sectors remained strong as a whole.

Consequently, net sales increased 10.5% year on year to 141,717 million yen.

Changes in the sales composition by industry on a non-consolidated basis are as shown in the graph below.

Sales composition by industry (non-consolidated)



[Status of overseas sales]

In North America, demand in the U.S. semiconductor and automobile-related sectors continuously grew, and Mexican auto makers' capital investment activities also remained robust. As a result, net sales grew 19.6% year on year to 68,798 million yen.

In Europe, the earnings environment in European companies turned favorable on the back of the euro's slide to historic lows after the European Central Bank's monetary easing, and sales in the automobile-related and semiconductor-related sectors, as well as food-related and medical equipment-related sectors, showed strong growth. Consequently, net sales increased 10.8% year on year to 78,821 million yen.

In Asia, the market shares increased steadily mainly in the automobile-related, semiconductor-related (e.g. smartphones), and machine tool-related sectors while the demand for pneumatic equipment is increasing at an annual pace of over 10% although there is concern over a slowdown of the Chinese economy. As a result, net sales increased 23.6% year on year to 155,147 million yen. Net sales in other regions increased 5.4% year on year to 13,596 million yen.

Consolidated overseas sales

(Million yen)

	Domestic sales	Overseas sales					Consolidated (Total)
		North America	Europe	Asia	Other	Total	
	141,717	**68,798**	**78,821**	**155,147**	**13,596**	**316,363**	458,081
YoY change	+10.5%	**+19.6%**	**+10.8%**	**+23.6%**	**+5.4%**	**+18.4%**	+15.9%
Sales composition	30.9%	**15.0%**	**17.2%**	**33.9%**	**3.0%**	**69.1%**	100.0%

❸ Status of capital investments

In order to strengthen its production capacity reflecting future demand movements, the Group actively embarked on expanding its existing facilities, constructing new factories, and acquiring factory sites in Japan and abroad.

In addition, capital investments were made for rationalization of production and cost reduction through purchasing equipment and renewing dies. Total capital investments in the fiscal year under review amounted to 28,669 million yen, an increase of 27.1% year on year.

Listed below are the main production facilities completed during the fiscal year ended March 31, 2015.



(i)SMC Brazil:
Factory/warehouse building



(ii)SMC Thailand:
Factory/warehouse building

❹ Issues to be addressed

The SMC Group, through joint efforts by the product development, production and sales departments, has been endeavoring to build an infrastructure so as to globally respond to customer needs with the objective of further expanding its shares in the worldwide markets.

① Promoting rationalization and cost reduction initiatives

The SMC Group is working on cost reduction by looking into such details as changing the design of single pieces of components, in addition to reforming production methods, reviewing production systems and reducing the cost of facilities. At the same time, we are striving to establish an optimal global production system by considering exchange fluctuations, changes in raw material prices, etc.

② Strengthening the R&D structure

The SMC Group established Technical Centers in the US, Europe (England and Germany) and China with the objective of understanding global user needs, collecting technical information and increasing development speed for products. We are endeavoring to enhance human resources and facilities, as well as strengthen liaisons among bases and departments together with Japan Technical Center in Tsukuba, the core R&D base of the Group.

③ Enhancing the manufacturing system

We are striving to strengthen our domestic and overseas production and logistics bases in order to reinforce our product supply system to regions around the globe.

With respect to our subsidiaries in China, in particular, we are implementing measures based on a long-term perspective such as the introduction of the latest facilities and ensuring excellent human resources in liaison with universities, with the aim of fostering these subsidiaries as the Group's core production bases.

④ Strengthening the distribution system

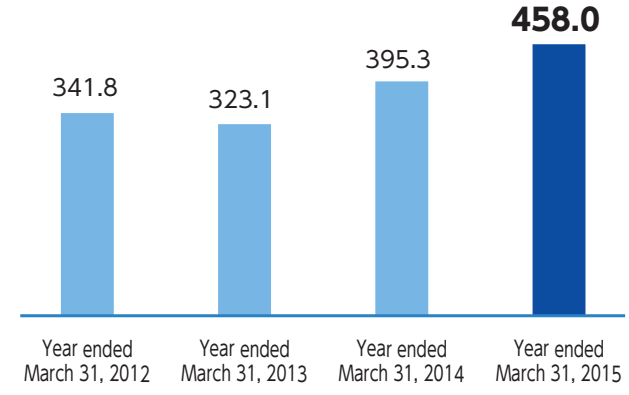
The Group is endeavoring to secure orders by enhancing customer satisfaction through initiatives such as ensuring a quick delivery system, strengthening support to subsidiaries and distribution agents, and promoting user-oriented sales activities. In addition, we are aggressively responding to new demand related to eco-friendly automobiles and smartphones.

❺ Changes in assets and financial results

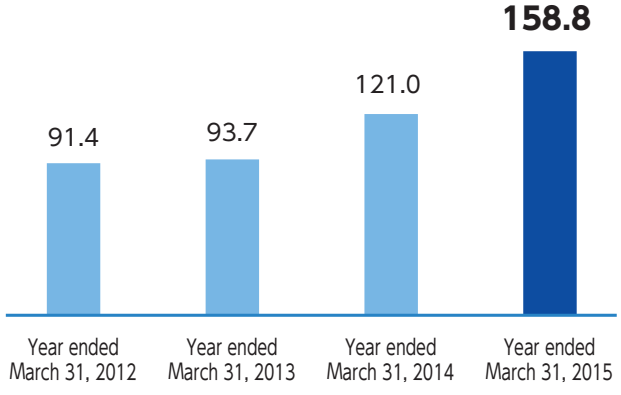
(Million yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015 (Current fiscal term)
Net Sales	341,864	323,135	395,304	**458,081**
Ordinary Income	91,405	93,737	121,073	**158,816**
Net Income	59,279	64,270	86,311	**109,583**
Net Income per share (yen)	864.29	937.70	1,274.20	**1,629.38**
Total Assets	737,957	844,010	966,875	**1,129,001**
Net Assets	587,093	689,359	785,521	**921,483**
Net Assets per share (yen)	8,534.57	10,031.63	11,599.87	**13,682.01**
Return on Equity	10.6%	10.1%	11.7%	**12.9%**

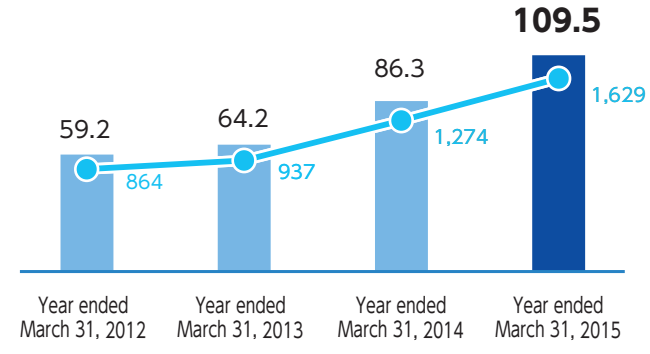
Net Sales (billion yen)



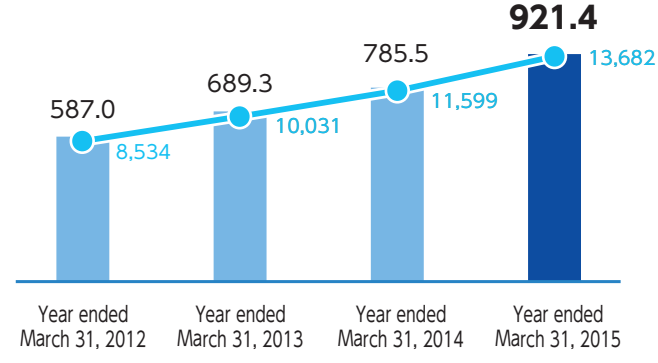
Ordinary Income (billion yen)



■ Net Income (billion yen) ● Net Income per share (yen)



■ Net Assets (billion yen) ● Net Assets per share (yen)



❻ Status of principal subsidiaries

Company name	Capital stock	Percentage of voting rights (%)	Major business
Nihon Kizai Co., Ltd.	¥304 million	47.3	Sale of pneumatic instruments etc.
Seigyo Kizai Corporation	¥100 million	100.0	Sale of pneumatic instruments etc.
SMC US	US$ 172,700,000	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC Germany	EUR 21,729,000	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC U.K.	£14,500,000	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC Italy	EUR 18,145,000	98.5	Manufacturing and sale of pneumatic instruments etc.
SMC Spain	EUR 3,305,000	99.8	Manufacturing and sale of pneumatic instruments etc.
SMC Singapore	S$5,600,000	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC Hong Kong	HK$ 100,000	*100.0	Manufacturing and sale of pneumatic instruments etc.
SMC Taiwan	NT$ 420,000,000	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC Korea	KRW 46,500 million	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC Guangzhou	CNY 144 million	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC China	CNY 1,504 million	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC (Beijing) Manufacturing	CNY 1,716 million	100.0	Manufacturing of pneumatic instruments etc.
SMC Manufacturing (Singapore)	S$ 10,000,000	100.0	Manufacturing of pneumatic instruments etc.
SMC Australia	A$ 20,000,000	100.0	Manufacturing and sale of pneumatic instruments etc.
SMC Brazil	BRL 307,822,000	*100.0	Manufacturing and sale of pneumatic instruments etc.

(Note) The Company's percentages of voting rights in SMC Hong Kong and SMC Brazil include those indirectly held by the Company's wholly-owned subsidiaries.

There are 33 consolidated subsidiaries including the abovementioned 17 principal subsidiaries.
SMC Brazil increased its capital in March 2015 to 307,822,000 Brazilian real for the purpose of purchasing equipment.

Global Network (for reference purpose)

Europe


U. K.


Germany


Austria


Spain


France


Italy

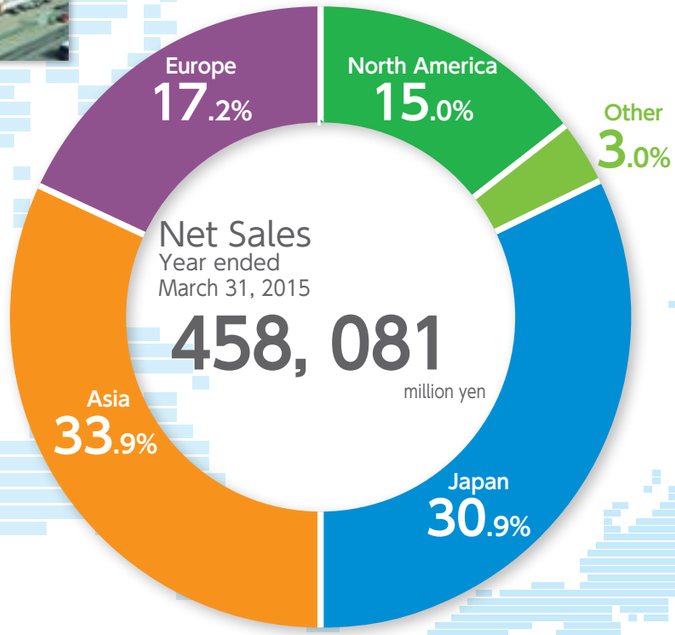
North America / Other


U. S.


Mexico


Australia


Brazil



Asia


Taiwan


Hong Kong


Beijing Manufacturing


China


Korea


India


Mfg Singapore

Japan


Soka Factory


Tsukuba Factory


Tsukuba Technical Center


Kamaishi Factory


Tono Factory


Yamatsuri Factory

❼ Status of employees

Number of employees	17,389	Increase against the previous term	1,379

(Notes)
1. The number of employees represents the number of the actual workforce (i.e., excludes staff seconded to non-Group companies from Group companies and includes staff seconded to Group companies from non-Group companies).
2. In addition to the above, we employ 4,939 temporary staff (average during the term).

❽ The status of main lending banks

Names of lending banks	Outstanding balance of borrowings
Resona Bank, Limited.	¥ 48,263 million
Mizuho Bank, Ltd.	¥ 19,580 million

❾ Major bases

		Company name and location
SMC Corporation	Head office	Akihabara UDX Building, 4-14-1, Soto-Kanda, Chiyoda-ku, Tokyo
	Sales offices	Sendai, Omiya (Saitama), Tokyo, Atsugi, Shizuoka, Hamamatsu, Toyota, Nagoya, Komaki (Aichi), Kanazawa, Kyoto, Kadoma, Osaka, Kobe, Okayama, Hiroshima, Fukuoka, Kumamoto
	Production facilities	Soka, Tsukuba (Ibaraki), Yamatsuri, Kamaishi, Tono, Shimotsuma
	R&D centers	Tsukuba Technical Center (Ibaraki)
Domestic sales companies		Nihon Kizai Co., Ltd. (Osaka), Seigyo Kizai Corporation (Tokyo)
Overseas manufacture and sales companies		SMC US, SMC Germany, SMC U.K., SMC Italy, SMC Spain, SMC Singapore, SMC Hong Kong, SMC Taiwan, SMC Korea, SMC Guangzhou, SMC China, SMC Australia, SMC Brazil
Overseas manufacture		SMC (Beijing) Manufacturing, SMC Manufacturing (Singapore)
Overseas R&D bases		US Technical Center, European Technical Center (U.K., Germany), Chinese Technical Center

❿ Other significant matters pertaining to the present status of the Group

None

2 Matters pertaining to the Company's shares

❶ Total number of shares outstanding: 67,369,359 (including 147,371 shares of treasury share)
❷ Number of shareholders: 4,155
❸ Major shareholders (Top 10)

Shareholder	Number of shares held (Thousand shares)	Percentage of voting rights (%)
State Street Bank and Trust Company	3,478.5	5.17
TON Finance B.V.	3,443.5	5.12
Takada International Co. Ltd.	3,050.0	4.53
Japan Trustee Services Bank, Ltd. (Trust account)	2,990.9	4.44
State Street Bank and Trust Company 505001	2,805.9	4.17
Master Trust Bank of Japan (Trust account)	2,497.0	3.71
Resona Bank, Limited.	1,959.8	2.91
Allied Material Co. Ltd.	1,864.2	2.77
The Dai-chi Life Insurance Company, Limited	1,713.0	2.54
JP Morgan Chase Bank 380055	1,552.0	2.30

(Notes)
Percentages of voting rights are calculated based on the number of shares outstanding of 67,221,988 shares (excluding treasury share) and are indicated by rounding down figures to three decimal places.

❹ Other significant matters pertaining to the Company's shares

① Acquisition of treasury share

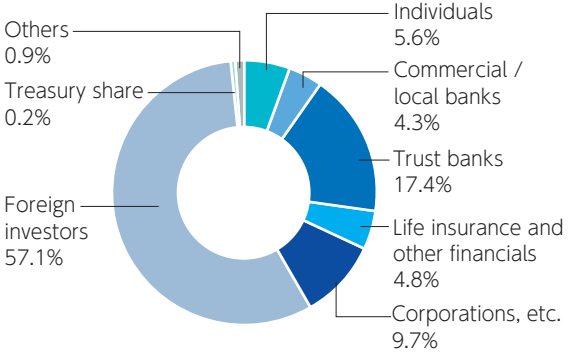
The following acquisition of treasury share was performed in accordance with the resolution passed at the Board of Directors' Meeting held on May 15, 2014.

a) Total number of shares acquired: 360,900 shares
b) Total amount of share acquisition cost: 9,998 million yen
c) Acquisition period: From June 2, 2014 to June 13, 2014

② Retirement of treasury share

The Company retired 1,500,000 treasury shares effective December 1, 2014. As a result, the total number of shares outstanding is currently 67,369,359.

Distribution of share by shareholders



Individuals	3,785.0 Thousand shares
Commercial/local banks	2,908.6 Thousand shares
Trust banks	11,716.1 Thousand shares
Life insurance and other financials	3,227.4 Thousand shares
Corporations, etc.	6,504.7 Thousand shares
Foreign investors	38,454.5 Thousand shares
Treasury share	147.3 Thousand shares
Others	625.4 Thousand shares

3 Matters pertaining to the Company's Directors and Corporate Auditors

❶ Directors and Corporate Auditors

Name	Position, assignment of work and significant concurrent position	
Yoshiyuki Takada	Chairman	(Representative Director) / Chairman, SMC US
Katsunori Maruyama	President	(Representative Director)
Ikuji Usui	Executive Managing Director	Senior General Manager of Administration Headquarters
Katsunori Tomita	Executive Managing Director	Senior General Manager of Sales Headquarters
Seiji Kosugi	Executive Managing Director	Senior General Manager of Engineering Headquarters
Masahiko Satake	Executive Managing Director	Senior General Manager of Production Headquarters
Yoshiki Takada	Managing Director	In charge of Management for North America , Central and South America Zone / President, SMC US
Eiji Ohashi	Managing Director	General Manager of Finance and Accounting Division
Osamu Kuwahara	Managing Director	Senior General Manager of Marketing Headquarters and General Manager of Sales Engineering Division
Iwao Mogi	Director	General Manager of Product Development Division 6
Koichi Shikakura	Director	General Manager of Production Headquarters and General Manager of Product Engineering Division
Koji Ogura	Director	General Manager of Sales Headquarters
Motoichi Kawada	Director	General Manager of Sales Headquarters
Susumu Takada	Director	General Manager of Production Headquarters
Masanobu Kaizu	Director (Outside Director)	Senior Research Fellow and Adviser, Nomura Securities Co., Ltd.Financial and Economic Research Center / Director, Financial Accounting Standards Foundation / Vice Chairman, The Securities Analysts Association of Japan
German Berakoetxea	Director	In charge of Management for European Zone / President, SMC Spain
Lup Yin Chan	Director	In charge of Management for Asia and Oceania Zone/ President, SMC Hong Kong
Steve Bangs	Director	In charge of Management for European Zone / President, SMC UK
Eizo Fujino	Full-Time Corporate Auditor	
Takashi Honda	Corporate Auditor	(Outside Corporate Auditor)
Koji Takahashi	Corporate Auditor	(Outside Corporate Auditor)
Yoshiaki Ogawa	Corporate Auditor	(Outside Corporate Auditor) / Lawyer

(Notes)
1. Messrs. Masanobu Kaizu, Takashi Honda, Koji Takahashi and Yoshiaki Ogawa are Independent Directors / Auditors, which Tokyo Stock Exchange, Inc. has required listed companies to have in order to protect the interests of general shareholders.
2. Mr. Daniel Langmeier retired upon expiration of term of office as Director at the conclusion of the 55th Ordinary General Meeting of Shareholders held on June 26, 2014.
   Mr. Masanobu Kaizu and Mr. Steve Bangs were selected as Director and assumed office at the 55th Ordinary General Meeting of Shareholders held on June 26, 2014.

3. Change of position of work of Directors during the fiscal year under review.
(effective June 26, 2014) (Underlined parts are changed.)

Name	New position		Former position	
Yoshiki Takada	Managing Director	In charge of Management for North America , Central and South America Zone	Managing Director	In charge of Overseas Operations
Steve Bangs	Director	In charge of Management for European Zone	Director	—

4. Mr. Steve Bangs retired as President of SMC UK effective April 30, 2015.

❷ Compensation amounts payable to Directors and Corporate Auditors

	Total amount of compensation	Total amount of compensation by type of remuneration		Number of target directors
		Base compensation	Retirement benefits	
Directors	¥ 531 million	¥ 498 million	¥ 33 million	19
(Outside Director)	(¥ 9 million)	(¥ 9 million)	(—)	(1)
Corporate Auditors	¥ 28 million	¥ 28 million	—	4
(Outside Corporate Auditors)	(¥ 13 million)	(¥ 13 million)	(—)	(3)

(Notes)
1. The total amount of compensation as detailed above includes compensation (base compensation for the period from April to June, 2014) and retirement benefits paid to a Director who retired at the conclusion of the 55th Ordinary General Meeting of Shareholders held on June 26, 2014.
2. Compensation to Directors excludes the salary portion paid to Directors who are concurrently employees.
3. The amount of retirement benefits is the total of provision for Directors' retirement benefits during the fiscal year under review and the difference between the actual amount of retirement benefits paid to a Director who retired at the conclusion of the 55th Ordinary General Meeting of Shareholders and the provision for Directors' retirement benefits already recorded.
4. Policy regarding the determination of compensation amounts payable to Directors.
Total amounts of base compensation for Directors and Corporate Auditors were determined to be no more than 900 million yen and 100 million yen per annum, respectively, at the 48th Ordinary General Meeting of Shareholders held on June 28, 2007.
The specific amount of base compensation for individual Directors and Corporate Auditors is determined after the annual Ordinary General Meeting of Shareholders each year by the resolution of the Board of Directors' Meeting for Directors and by the resolution of the Board of Corporate Auditors' Meeting for Corporate Auditors. It is determined by thoroughly considering the earnings forecast, employees' salary levels, contribution of each Director and Corporate Auditor to earnings, position, assignment to work and term of office and the like.
The necessary amount of directors' retirement benefits payable at the end of each fiscal year is posted as provision for directors' retirement benefits, on the basis of the base amount payable calculated automatically based on the "Regulations for Directors' Retirement Benefits," set by the resolution of the Board of Directors' Meeting.
In the event where Directors actually retire, we will ask our shareholders to approve an agenda relating to the awarding of retirement benefits at the General Meeting of Shareholders first. Then, we will decide, by the resolution of the Board of Directors' Meeting, specific amounts of payment, including whether we should pay an additional amount in recognition of the service of the relevant Directors within the limit set forth in the aforementioned regulations besides the above-mentioned base amounts of compensation payable for retiring Directors.
Outside Directors and Outside Corporate Auditors are not entitled to retirement benefits.

❸ Matters pertaining to Outside Directors and Outside Corporate Auditors

① Main activities during the fiscal year under review

Name	Position	Number of the Board of Directors' Meetings attended/held (Attendance rate)	Number of the Board of Corporate Auditors' Meetings attended/held (Attendance rate)	Main activities
Masanobu Kaizu	Outside Director	4 out of 4 meetings (100.0%)	—	As an economist and securities analyst, he has made proposals on management policies based on his professional knowledge of economic situations, financial market conditions, corporate management and financial accounting from the standpoint of protecting the interests of general shareholders and investors in particular and from a neutral and objective point of view. He has also provided the Board of Directors with the latest information about economic situations and financial market conditions.
Takashi Honda	Outside Corporate Auditor	6 out of 6 meetings (100.0%)	12 out of 12 meetings (100.0%)	As a researcher and educator specializing in electrical engineering, he has made proposals on management in general whenever necessary based on his professional knowledge and broad experience from a neutral and objective point of view.
Koji Takahashi	Outside Corporate Auditor	6 out of 6 meetings (100.0%)	12 out of 12 meetings (100.0%)	As a researcher and educator specializing in fluid mechanics, he has made proposals on management in general whenever necessary based on his professional knowledge and broad experience from a neutral and objective point of view.
Yoshiaki Ogawa	Outside Corporate Auditor	5 out of 6 meetings (83.3%)	11 out of 12 meetings (91.7%)	As an attorney at law, he has made proposals on management in general whenever necessary based on his professional knowledge and broad experience of corporate laws and compliance, focusing on legal risk management, from a neutral and objective point of view.

(Note) Mr. Masanobu Kaizu's attendance at the Board of Directors' Meetings began on June 26, 2014 when he took office as new Outside Director.

② Relationships between the Company and organizations to which Outside Directors and Outside Corporate Auditors concurrently belong

There is no special relationship to report.

③ Outline of contracts for the limitation of liability

The Company has made a contract with each of Outside Directors and Outside Corporate Auditors for the limitation of liability in accordance with Article 427, Paragraph 1 of the Company Law and Articles 27 and 36 of the Company's articles of incorporation.

As a result, even in the case that an Outside Director or Outside Corporate Auditor is held liable under Article 423, Paragraph 1 of the Company Law, the amount of such liability is limited to the minimum amount stipulated in Article 425, Paragraph 1 of the Company Law when they act in good faith and are not grossly negligent in performing their duties.

4 Status of Accounting Auditor

❶ Name of Accounting Auditor　Seiyo Audit Corporation

❷ Remuneration amount payable to Accounting Auditor in the term

	Amount payable
Remuneration as Accounting Auditor in the term	¥ 57 million
Total amount of remuneration (monies and other assets) the Company and its subsidiaries are liable to pay	¥ 57 million

(Notes)
1. Since the auditing agreement between the Company and its Accounting Auditor does not segregate the amount of remuneration to Auditors pursuant to the Corporate Code and that pursuant to the Financial Instruments and Exchange Law (including internal control audit) as it is substantially difficult to do so, the amount recorded above is the total of these two types of remuneration.
2. Excluding Seigyo Kizai Corporation, audits for the 16 subsidiaries of the 17 principal subsidiaries listed in "1. Matters pertaining to the present status of the Group (6) Status of principal subsidiaries" are performed by either a certified public accountant or auditing firm other than the Company's Accounting Auditor.

❸ Policies on the dismissal and non-reappointment of Accounting Auditor

In the event that circumstances corresponding to the grounds for dismissal designated by law are recognized, the Accounting Auditor shall be dismissed in accordance with a resolution by the Board of Corporate Auditors based on the consent of all Corporate Auditors.

Moreover, in the event that circumstances in which the duties of the Accounting Auditor cannot be adequately performed are recognized, the Board of Directors and the Board of Corporate Auditors will collaborate with each other to submit a proposal to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the Accounting Auditor.

5 Framework to ensure adequacy of business activities

❶ Framework to ensure that execution of duties by Directors and employees complies with applicable laws and regulations as well as the Articles of Incorporation

- Formulate "SMC Group Ethical and Corporate Principles" and "SMC Group Code of Conduct" to clarify its stance of striving for becoming a company to be trusted, not only by customers and business partners but also by the broader society, through conducting fair corporate activities complying with applicable laws and regulations as well as the code of ethics.
- Establish a Compliance Committee to strengthen the legal compliance system.
- Develop an internal reporting system as well as a structure to report conduct constituting a conflict of interest throughout the Group to help prevent and correct improper conduct.
- Do not become involved with antisocial forces and organizationally take a resolute attitude toward undue claims in close collaboration with lawyers, police, and others.

❷ Framework for information storage and management with regards to the execution of duties by Directors

- Formulate information management rules to develop a system to prevent leakage of important information.
- Establish an Information Disclosure Committee to promote prompt and adequate information disclosure.

❸ Framework and rules relating to risk of loss management

- Establish a department or committee specializing in the management of important risks including those relating to quality, environmental measures, compliance, disaster prevention, etc.
- All information regarding complaints against quality will be reported to the Chairman and President, and actions as well as recurrence prevention measures will be verified.

❹ Framework to ensure that duties of the Directors are efficiently executed

- Establish a Management Committee to facilitate information-sharing among department heads.
- Establish medium to long term management plans as well as annual policies and budgets for each Group company and department, thereby implementing adequate business management.

❺ Framework to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries

- Contracts made with subsidiaries in which advance discussions held with the Company regarding significant matters, regular reports on business plans, financial closing, etc., and regular discussions held with the Company regarding business plans, financial closing, etc., are obligatory for subsidiaries. In addition, operational losses, losses caused by a disaster, etc., occurrence of important events such as the violation of law, and others must be reported to the Company.
- Develop and operate a framework to conduct risk management (internal control related to financial reporting) necessary for ensuring the reliability of financial reporting, and improve its effectiveness through regular assessment.
- Properly manage subsidiaries and promote group strategies in an integrated and efficient manner by implementing the affiliate management rules, dispatching directors, exercising shareholder rights, and having regular discussions with subsidiaries.

❻ Framework to ensure that auditing activities conducted by employees to assist Corporate Auditors are efficiently executed/Framework to ensure that the execution of duties by Directors is efficiently performed

- As full-time audit staff persons who assist Corporate Auditors in executing their duties, employees having knowledge of internal audit, financial accounting and other areas have been properly assigned.
- These audit staff persons are authorized to conduct necessary examinations under the direction of Corporate Auditors so that audits can be completed.
- Before personnel changes are announced or disciplinary actions are taken, consultation with Corporate Auditors is required.

❼ Framework in which Directors and employees give reports to Corporate Auditors/Framework to give other reports to Corporate Auditors/Framework to ensure that the execution of duties by Directors is efficiently performed

- Directors and employees give business execution reports to Corporate Auditors regularly and at the request of Corporate Auditors.
- In the case that a Director or employee discovers a fact that may cause significant damage to the Company, he or she shall report it immediately to Corporate Auditors.
- In the case that a Director or employee receives a report on a subsidiary's significant matters from the subsidiary's director, employee, or other persons, he or she shall report it to Corporate Auditors in a timely and appropriate manner.
- It is prohibited to unfairly treat Directors and employees of the Company and its subsidiaries on the grounds that relevant matters have been reported to Corporate Auditors.

❽ Matters pertaining to the processing of costs incurred in connection with the execution of duties by Corporate Auditors/Framework to ensure that the execution of duties by Directors is efficiently performed

- Costs necessary for the execution of duties by Corporate Auditors are immediately processed whenever requested, including prepayments.

❾ Framework to ensure that other audit work by Corporate Auditors is effectively performed/ Framework to ensure that the execution of duties by Directors is efficiently performed

- Corporate Auditors hold meetings periodically with the President, the Accounting Auditor and the internal auditing office in order to improve the auditing environment and strengthen the liaison among Auditors.

(Note) In the Business Report, amounts are rounded down to match the unit in which they are presented.

Consolidated Balance Sheets (As of March 31, 2015)

(Million yen)

	As of March 31, 2014	As of March 31, 2015
(Assets)		
Current assets	**677,018**	**802,257**
Cash and deposits	349,354	453,178
Notes and accounts receivable-trade	102,446	120,956
Merchandise and finished goods	88,886	90,044
Work in process	15,585	16,396
Raw materials and supplies	89,783	88,132
Deferred tax assets	18,277	21,041
Other	13,466	13,796
Allowance for doubtful accounts	(781)	(1,288)
Non-current assets	**289,857**	**326,743**
Property, plant and equipment	**125,837**	**146,861**
Buildings and structures	53,196	60,405
Machinery, equipment and vehicles	26,751	31,288
Tools, furniture and fixtures	5,848	6,410
Land	29,388	32,824
Construction in progress	10,652	15,932
Intangible assets	**4,141**	**4,884**
Leasehold right	3,247	3,842
Other	893	1,042
Investments and other assets	**159,877**	**174,997**
Investment securities	41,018	48,294
Net defined benefit asset	63	80
Insurance funds	109,366	115,579
Other	10,558	12,182
Allowance for doubtful accounts	(1,129)	(1,139)
Total assets	**966,875**	**1,129,001**

	As of March 31, 2014	As of March 31, 2015
(Liabilities)		
Current liabilities	**153,508**	**179,071**
Notes and accounts payable-trade	48,687	48,753
Short-term loans payable	52,993	63,475
Income tax payable	20,251	29,528
Provision for bonuses	1,850	2,969
Other	29,724	34,345
Non-current liabilities	**27,845**	**28,445**
Long-term loans payable	8,302	7,106
Provision for directors' retirement benefits	739	794
Net defined benefit liability	5,028	1,421
Other	13,775	19,122
Total liabilities	**181,354**	**207,517**
(Net assets)		
Shareholders' equity	**739,407**	**827,178**
Capital stock	61,005	61,005
Capital surplus	72,677	72,677
Retained earnings	629,616	696,953
Treasury shares	(23,892)	(3,458)
Accumulated other comprehensive income	**44,083**	**92,066**
Valuation difference on available-for-sale securities	1,813	5,841
Foreign currency translation adjustment	39,282	81,697
Remeasurements of defined benefit plans	2,988	4,527
Minority interests	**2,030**	**2,238**
Total net assets	**785,521**	**921,483**
Total liabilities and net assets	**966,875**	**1,129,001**

Consolidated Statements of Income (April 1, 2014 to March 31, 2015)

(Million yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Net sales	**395,304**	**458,081**
Cost of sales	**207,794**	**234,578**
Gross profit	**187,509**	**223,503**
Selling, general and administrative expenses	**82,356**	**95,816**
Operating income	**105,153**	**127,686**
Non-operating income	**16,674**	**31,779**
Interest income	4,494	5,589
Foreign exchange gains	8,888	21,851
Other	3,292	4,337
Non-operating expenses	**754**	**650**
Interest expenses	309	305
Sales discounts	195	229
Other	249	115
Ordinary income	**121,073**	**158,816**
Extraordinary income	**279**	**955**
Gain on sales of non-current assets	84	522
Gain on sale of investment securities	18	428
Gain on bargain purchase	40	—
Gain on transfer of benefit obligation relating to employees' pension fund	128	—
Other	7	4
Extraordinary losses	**382**	**1,037**
Loss on retirement of non-current assets	205	136
Loss on valuation of investment securities	—	398
Loss on revision of retirement benefit plan	—	152
Impairment loss	66	267
Loss on change in equity	40	—
Other	69	81
Income before income taxes and minority interests	**120,970**	**158,734**
Income taxes-current	36,073	48,736
Income taxes-deferred	(1,598)	209
Income before minority interests	**86,495**	**109,788**
Minority interests in income	183	204
Net income	**86,311**	**109,583**

(For reference purpose) Consolidated Statements of Cash Flows (April 1, 2014 to March 31, 2015)

(Million yen)

Items	Year ended March 31, 2014	Year ended March 31, 2015
Cash flows from operating activities	**83,719**	**111,652**
Income before income taxes and minority interests	120,970	158,734
Depreciation	12,618	13,620
Increase (decrease) in provision for retirement benefits	(11,072)	—
Increase (decrease) in net defined benefit liability	9,654	(1,244)
Interest and dividend income	(4,834)	(5,984)
Foreign exchange losses (gains)	(3,878)	(15,433)
Decrease (increase) in notes and accounts receivable-trade	(9,278)	(11,624)
Decrease (increase) in inventories	(240)	12,818
Increase (decrease) in notes and accounts payable-trade	(858)	(4,492)
Decrease (increase) in other current assets	(1,093)	(867)
Increase (decrease) in other current liabilities	815	1,370
Other, net	(304)	(665)
Subtotal	**112,497**	**146,231**
Interest and dividend income received	5,836	5,994
Interest expenses paid	(270)	(334)
Income taxes (paid) refund	(34,344)	(40,238)
Cash flows from investing activities	**(60,326)**	**(45,240)**
Payments into time deposits	(57,807)	(60,035)
Proceeds from withdrawal of time deposits	35,506	42,842
Purchase of property, plant and equipment	(25,914)	(25,221)
Purchase of investment securities	(5,871)	(3,169)
Proceeds from sales of investment securities	565	2,544
Purchase of insurance funds	(7,647)	(5,773)
Proceeds from maturity of insurance funds	2,579	3,503
Other, net	(1,736)	68
Cash flows from financing activities	**(1,802)**	**(12,762)**
Net increase (decrease) in short-term loans payable	29,800	9,740
Proceeds from long-term loans payable	7,385	2,000
Repayments of long-term loans payable	(8,627)	(2,454)
Purchase of treasury shares	(19,614)	(10,035)
Cash dividends paid	(10,886)	(12,127)
Other, net	140	114
Effect of exchange rate change on cash and cash equivalents	**13,487**	**19,488**
Net increase (decrease) in cash and cash equivalents	**35,076**	**73,138**
Cash and cash equivalents at beginning of period	**173,501**	**208,577**
Cash and cash equivalents at the end of period	**208,577**	**281,716**

(Note) In the consolidated financial statements, amounts are rounded down to match the unit in which they are presented.

Non-consolidated Balance Sheets (As of March 31, 2015)

(Million yen)

	As of March 31, 2014	As of March 31, 2015
(Assets)		
Current assets	**290,720**	**343,599**
Cash and deposits	95,643	158,234
Notes receivable-trade	15,077	16,472
Accounts receivable-trade	58,721	57,393
Merchandise and finished goods	22,771	21,970
Work in process	8,150	7,399
Raw materials and supplies	60,793	54,512
Deferred tax assets	7,182	7,949
Accounts receivable-other	13,091	11,576
Suspense payments	7,405	7,610
Other	2,121	714
Allowance for doubtful accounts	(238)	(233)
Non-current assets	**326,811**	**342,639**
Property, plant and equipment	**42,270**	**43,957**
Buildings and structures	20,557	19,401
Machinery, equipment and vehicles	7,833	8,356
Tools, furniture and fixtures	1,444	1,784
Land	11,185	11,185
Construction in progress	1,249	3,229
Intangible assets	**592**	**660**
Software	510	580
Other	81	80
Investments and other assets	**283,948**	**298,021**
Investment securities	25,869	31,353
Shares of subsidiaries and associates	93,799	95,467
Investments in capital of subsidiaries and associates	45,150	47,529
Differed tax assets	4,356	1,838
Insurance funds	109,330	115,542
Other	5,481	6,329
Allowance for doubtful accounts	(38)	(38)
Total assets	**617,532**	**686,238**

	As of March 31, 2014	As of March 31, 2015
(Liabilities)		
Current liabilities	**136,522**	**161,423**
Accounts payable-trade	49,419	50,713
Short-term loans payable	56,545	67,839
Accounts payable-other	2,422	2,301
Income tax payable	13,699	22,669
Accrued expenses	10,123	10,140
Other	4,312	7,758
Non-current liabilities	**21,107**	**17,997**
Long-term loans payable	6,082	4,336
Provision for retirement benefits	9,000	7,408
Provision for directors' retirement benefits	536	567
Other	5,487	5,684
Total liabilities	**157,629**	**179,421**
(Net assets)		
Shareholders' equity	**458,448**	**501,477**
Capital stock	**61,005**	**61,005**
Capital surplus	**72,576**	**72,576**
Legal capital surplus	72,576	72,576
Retained earnings	**348,758**	**371,354**
Legal retained earnings	15,251	15,251
Other retained earnings	333,507	356,103
Reserve for special depreciation	101	80
Reserve for reduction entry of assets	287	331
General reserve	150,250	150,250
Retained earnings brought forward	182,869	205,442
Treasury shares	**(23,892)**	**(3,458)**
Valuation and translation adjustments	**1,454**	**5,339**
Valuation difference on available-for-sale securities	1,454	5,339
Total net assets	**459,902**	**506,817**
Total liabilities and net assets	**617,532**	**686,238**

Non-consolidated Statements of Income (April 1, 2014 to March 31, 2015)

(Million yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Net sales	**259,420**	**286,362**
Cost of sales	**173,831**	**179,727**
Gross profit	**85,589**	**106,635**
Selling, general and administrative expenses	**29,373**	**32,171**
Operating income	**56,215**	**74,463**
Non-operating income	**9,698**	**23,567**
Interest and Dividend income	756	1,035
Foreign exchange gains	6,583	19,407
Other	2,358	3,123
Non-operating expenses	**391**	**381**
Interest expenses	273	290
Sales discounts	77	87
Other	40	3
Ordinary income	**65,522**	**97,648**
Extraordinary income	**130**	**430**
Gain on sales of investment securities	—	428
Other	130	1
Extraordinary losses	**58**	**451**
Loss on retirement of non-current assets	38	47
Loss on valuation of shares of subsidiaries and associates	—	398
Other	19	5
Income before income taxes	**65,594**	**97,627**
Income taxes-current	22,246	32,874
Income taxes-deferred	(1,397)	(88)
Net income	**44,746**	**64,841**

(Note) In the non-consolidated financial statements, amounts are rounded down to match the unit in which they are presented.

Audit Report of Accounting Auditor on the Consolidated Financial Statements

Independent Auditor's Report

May 19, 2015

To the Board of Directors SMC Corporation

Seiyo Audit Corporation

Designated partner Executive member CPA Takashi Saito

Designated partner Executive member CPA Kazuhito Ishii

Designated partner Executive member CPA Takanori Ozeki

Pursuant to Article 444, Paragraph 4 of the Company Law, we have audited the consolidated financial statements, i.e., the consolidated balance sheets, the consolidated statements of income, consolidated statements of changes in equity and notes to the consolidated financial statements for the fiscal year from April 1, 2014 to March 31, 2015 of SMC Corporation.

The responsibility of the management for the consolidated financial statements

The management is responsible for preparing and appropriately presenting the consolidated financial statements in accordance with the corporate accounting standards that are generally accepted in Japan. These accounting standards require the management to establish and operate internal control which the management considers necessary to prepare and appropriately present the consolidated financial statements and such like free of material misrepresentation caused by fraudulence or error.

The responsibility of Accounting Auditor

Our responsibility is to express our opinion on the consolidated financial statements and such like as an Accounting Auditor based on the audit we conducted. Our audit was conducted in accordance with auditing standards that are generally accepted in Japan. These auditing standards require us to formulate an audit plan and conduct an audit based on this plan in order to obtain reasonable assurance about whether the consolidated financial statements are free of material misrepresentation.

In conducting the audit, we take procedures to obtain audit evidence on amounts and disclosure of consolidated financial statements. Audit procedures are selected and applied at our discretion based on a risk assessment of whether the consolidated financial statements are free of material misrepresentation caused by fraudulence or error. The purpose of the audit is not to express an opinion on the effectiveness of internal control. However, in performing risk assessment, we examine internal control relating to the preparation and fair presentation of the consolidated financial statements in order to formulate appropriate audit procedures that suit the circumstances. Our audit includes an examination of the overall representation of the consolidated financial statements including the accounting policies adopted by the management, methods of applying these policies, and an evaluation of estimates conducted by the management.

We find that we have obtained sufficient and appropriate audit evidence which serves as the basis for expressing our opinion.

Audit opinion

We find that the above consolidated financial statements are in accordance with the corporate accounting standards that are generally accepted in Japan, and present fairly the assets and profits/losses of the Group, which consists of SMC Corporation and its consolidated subsidiaries, for the fiscal year under review in every important respect.

Conflicts of interest

There are no conflicts of interest between the Company and Seiyo Audit Corporation or executive members for which disclosure would be required under the provisions of the Certified Public Accountants Act.

Audit Report of Accounting Auditor on the Non-consolidated Financial Statements

Independent Auditor's Report

May 19, 2015

To the Board of Directors SMC Corporation

Seiyo Audit Corporation

Designated partner Executive member CPA Takashi Saito

Designated partner Executive member CPA Kazuhito Ishii

Designated partner Executive member CPA Takanori Ozeki

Pursuant to Article 436, Paragraph 2, Item 1 of the Company Law, we have audited the non-consolidated financial statements, i.e., the non-consolidated balance sheets, the non-consolidated statements of income, non-consolidated statements of changes in equity, notes to the non-consolidated financial statements and supporting documents for the 56th fiscal year from April 1, 2014 to March 31, 2015 of SMC Corporation.

The responsibility of the management for the non-consolidated financial statements, etc.

The management is responsible for preparing and appropriately presenting the non-consolidated financial statements and supporting documents in accordance with the corporate accounting standards that are generally accepted in Japan. These accounting standards require the management to establish and operate internal control which the management considers necessary to prepare and appropriately present the non-consolidated financial statements and supporting documents and such like free of material misrepresentation caused by fraudulence or error.

The responsibility of Accounting Auditor

Our responsibility is to express our opinion on the non-consolidated financial statements and supporting documents and such like as an Accounting Auditor based on the audit we conducted. Our audit was conducted in accordance with auditing standards that are generally accepted in Japan. These auditing standards require us to formulate an audit plan and conduct an audit based on this plan in order to obtain reasonable assurance about whether the non-consolidated financial statements and supporting documents are free of material misrepresentation.

In conducting the audit, we take procedures to obtain audit evidence on amounts and disclosure of non-consolidated financial statements and supporting documents. Audit procedures are selected and applied at our discretion based on a risk assessment of whether the non-consolidated financial statements and supporting documents are free of material misrepresentation caused by fraudulence or error. The purpose of the audit is not to express an opinion on the effectiveness of internal control. However, in performing risk assessment, we examine internal control relating to the preparation and fair presentation of the non-consolidated financial statements and supporting documents in order to formulate appropriate audit procedures that suit the circumstances. Our audit includes an examination of the overall representation of the non-consolidated financial statements and supporting documents including the accounting policies adopted by the management, methods of applying these policies, and an evaluation of estimates conducted by the management.

We find that we have obtained sufficient and appropriate audit evidence which serves as the basis for expressing our opinion.

Audit opinion

We find that the above non-consolidated financial statements and supporting documents are in accordance with the corporate accounting standards that are generally accepted in Japan, and present fairly the assets and profits/losses of SMC Corporation for the fiscal year under review in every important respect.

Conflicts of interest

There are no conflicts of interest between the Company and Seiyo Audit Corporation or executive members for which disclosure would be required under the provisions of the Certified Public Accountants Act.

Audit Report of Board of Corporate Auditors

Auditor's Report

We, the Board of Corporate Auditors, have discussed the Company Directors' business activities during the 56th fiscal year, which lasted from April 1, 2014 to March 31, 2015 based on audit reports prepared by each Corporate Auditor, and prepared our audit report as described below.

1. Methods and details of audits by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors formulated an audit policy, apportion of their business activities, and other audit related items, received reports from each Corporate Auditor (on the implementation and results of audits), from the Directors of the Company, the Accounting Auditor, and other parties on the conduct of their business activities, and requested explanations from them when necessary.

In accordance with the audit policy, apportion of their business activities, and other audit related items that were determined by the Board of Corporate Auditors, each Corporate Auditor: communicated well with Directors, internal audit division and other employees; gathered information and improved the audit environment; attended the Board of Directors' Meetings and other important meetings; received reports from Directors and employees on the conduct of their business activities; requested explanations from them when necessary; reviewed significant approval documents; and conducted inspections at the Company's head office and other principle offices. Each corporate Auditor also received a report on a regular basis and requested an explanation on an as-needed basis from Directors and employees, and expressed opinions about the resolution of the Board of Directors on the establishment and improvement of a system to ensure that the business activities of the Directors are in compliance with laws and the Articles of Incorporation of the Company and the structure stipulated in Article 100, Paragraph 1 and 3 of the Ordinance for Enforcement of the Company Law that is necessary for ensuring that joint-stock company's operations are carried out appropriately, as well as the structure and the status of operation of the structure (internal control system) established based on the said resolution. Each Corporate Auditor strove to communicate well and exchange information with Directors and Corporate Auditors of the subsidiaries, received reports from the subsidiaries on their businesses whenever necessary, and conducted inspections. Through these methods, each Corporate Auditor examined the business report and supporting documents for the fiscal year under review.

In addition, we monitored and verified whether the Accounting Auditor implemented appropriate audits while maintaining its independent position, received reports from the Accounting Auditor on the conduct of its operations, and requested further explanations when we regarded it necessary. We were notified from the Accounting Auditor that the entity has established a "System to Ensure Independent Accountants' Appropriate Execution of Duties" (Item stipulated in Article 131 of the Corporate Calculation Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005). Through these methods, we reviewed the non-consolidated financial statements (the balance sheets, the statements of income, the statements of changes in equity and notes to non-consolidated financial statements) and supporting documents as well as the consolidated financial statements (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in equity and notes to consolidated financial statements), for the fiscal year under review.

2. Conclusions of the audit

(1) Business report, etc.
- a. We find that the business report and supporting documents fairly present the position of the Company in terms of compliance with applicable laws and ordinances as well as the Company's Articles of Incorporation.
- b. We found there was no unjust conduct or serious violation of laws and ordinances or the Company's Articles of Incorporation committed by any Directors in the execution of their duties.
- c. We find that the resolutions of the Board of Directors regarding the internal control system are proper and correct. We find nothing that needs to be pointed out concerning the details of the business report and the Directors' performance of their duties regarding the internal control system.

(2) Non-consolidated financial statements and supporting documents
We find the methods and the conclusions of the audit by Seiyo Audit Corporation, the Accounting Auditor, to be proper and correct.

(3) Consolidated financial statements
We find the methods and the conclusions of the audit by Seiyo Audit Corporation, the Accounting Auditor, to be proper and correct.

May 20, 2015

Board of Corporate Auditors SMC Corporation

Full-time Corporate Auditor Eizo Fujino
Outside Corporate Auditor Takashi Honda
Outside Corporate Auditor Koji Takahashi
Outside Corporate Auditor Yoshiaki Ogawa

To Our Shareholders

Internet Disclosure on the Notice of Convocation of the 56th Ordinary General Meeting of Shareholders

June 2015

SMC Corporation

Contents

1. Consolidated Statement of Changes in Equity **Page 1**

2. Notes to the Consolidated Financial Statements **Page 2**

3. Non-consolidated Statement of Changes in Equity **Page 11**

4. Notes to the Non-consolidated Financial Statements **Page 13**

The above materials shall be deemed to be provided to our shareholders by publishing on the Company's website (http://www.smcworld.com/ir/en/) based on the Ordinance on Company Accounting and the Articles of Incorporation of the Company.

Consolidated Statement of Changes in Equity

(April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	61,005	72,677	629,616	(23,892)	739,407
Cumulative effects of changes in accounting policies			188		188
Restated balance	61,005	72,677	629,804	(23,892)	739,595
Changes of items during period					
Dividends of surplus			(12,125)		(12,125)
Net income			109,583		109,583
Purchase of treasury shares				(10,035)	(10,035)
Disposal of treasury shares		88		72	160
Retirement of treasury shares		(88)	(30,308)	30,396	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	67,149	20,433	87,583
Balance at end of the period	61,005	72,677	696,953	(3,458)	827,178

	Other accumulated comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of the period	1,813	39,282	2,988	44,083	2,030	785,521
Cumulative effects of changes in accounting policies						188
Restated balance	1,813	39,282	2,988	44,083	2,030	785,709
Changes of items during period						
Dividends of surplus						(12,125)
Net income						109,583
Purchase of treasury shares						(10,035)
Disposal of treasury shares						160
Retirement of treasury shares						—
Net changes of items other than shareholders' equity	4,028	42,415	1,539	47,982	207	48,190
Total changes of items during period	4,028	42,415	1,539	47,982	207	135,774
Balance at end of the period	5,841	81,697	4,527	92,066	2,238	921,483

Notes to the Consolidated Financial Statements

[Notes to the premises of a going concern]

None

[Notes on significant matters constituting the basis for preparing the Consolidated Financial Statements]

1. Matters pertaining to the scope of consolidation

(1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 33

Names of major consolidated subsidiaries

Nihon Kizai Co., Ltd.	SMC Italy	SMC Guangzhou
Seigyo Kizai Corporation	SMC Spain	SMC China
SMC US	SMC Singapore	SMC (Beijing) Manufacturing
SMC Germany	SMC Hong Kong	SMC Manufacturing (Singapore)
SMC U.K.	SMC Taiwan	SMC Australia
	SMC Korea	SMC Brazil

(2) Names of major non-consolidated subsidiaries: SMC Finland, SMC Poland

(Reasons for exclusion from the scope of consolidation)

The 37 non-consolidated subsidiaries are excluded from the scope of consolidation since they are all small in size and their aggregate total assets, net sales, net income (amount corresponding to equity) and retained earnings (amount corresponding to equity) do not significantly impact the consolidated financial statements.

2. Matters pertaining to the scope of application of the equity method.

Non-consolidated subsidiaries (SMC Finland and 36 other subsidiaries) and 1 associate that are not accounted for under the equity method are excluded from the equity method scope since their effect on the consolidated financial statements is considered to be minimal and insignificant in whole in terms of net income (amount corresponding to equity) and retained earnings (amount corresponding to equity).

3. Matters pertaining to the fiscal terms of consolidated subsidiaries

The consolidated financial statements were prepared based on the preliminary financial statements as of March 31, 2015 for SMC China, SMC (Beijing) Manufacturing, SMC Guangzhou, SMC Mexico, SMC Russia, and SMC Brazil, whose fiscal year-end date is December 31.

4. Matters pertaining to accounting principles

(1) Valuation standards and methods of significant assets

(i) Short-term investment securities

Other securities

a. With fair value: Stated at fair value based on the market value of the settlement date.
(All unrealized gains and losses are included in Shareholders' Equity and cost of sales is principally computed using the moving average method.)

b. Without fair value: Stated at cost using the moving average method.

(ii) Inventories: Principally stated at cost based on the total average method (where market value shall be recorded in the balance sheet in the case of a decline in profitability).

(2) Depreciation methods of significant depreciable assets

(i) Property, plant and equipment (excluding lease assets)

Depreciation of Property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed principally under the declining balance method (except for buildings acquired on and after April 1, 1998 (excluding equipment of buildings) applies the straight line method) and that of foreign consolidated subsidiaries is determined in accordance with the straight line method pursuant to the accounting principles of the corresponding nation.

Primary useful periods are as described below.

Buildings and structures: 3-50 years

Machinery, equipment and vehicles / Tools, furniture and fixtures: 2-20 years

(ii) Intangible assets (excluding lease assets)

Depreciation of intangible assets of the Company and its consolidated domestic subsidiaries is computed in accordance with the straight line method and that of consolidated foreign subsidiaries is determined in accordance with the straight line method pursuant to the accounting principles of the corresponding nation.

Internal-use software is amortized on a straight-line basis over the useful life period (mainly 5 years).

(3) Significant allowances

(i) Allowance for doubtful accounts

The Company and its consolidated domestic subsidiaries provide an allowance for possible loan losses upon assessing the amount deemed irrecoverable by applying the historical bad-debt ratio for general claims and by individually estimating such amount for specific doubtful claims. Consolidated foreign subsidiaries provide an allowance for possible loan losses in the amount deemed irrecoverable based on an individual assessment of each claim.

(ii) Provision for bonuses

Some of the Company's consolidated subsidiaries provide a reserve for bonuses for employees.

(iii) Provision for directors' retirement benefits

The Company and some of its consolidated subsidiaries provide a reserve for retirement benefits for Directors and Corporate Auditors in the required amount to be paid based on the internal rules for such payments.

(4) Basis for translating significant foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated assets and loans are translated into Japanese yen at exchange rates prevailing at the end of the term and the difference resulting from the translation is recognized as income. Meanwhile, assets and liabilities held by consolidated foreign subsidiaries are translated into Japanese yen at exchange rates prevailing at the end of the term, while earnings and expenses are translated into Japanese yen at average rates of exchange during the term and the difference resulting from the translation is charged to foreign currency translation adjustments and Minority Interests under Shareholders' Equity.

(5) Other significant matters constituting the basis for preparing the Consolidated Financial Statements

(i) Net defined benefit and Net defined benefit liability

The amount calculated by deducting pension assets from net benefit liabilities based on the projected amount as of the end of the fiscal year under review is recorded to prepare for retirement benefit payments to employees. For the calculation of net benefit liabilities, the retirement benefit formula is used to attribute expected retirement benefits to the period until the consolidated fiscal year under review.

Prior service cost is amortized on a straight-line basis over certain years (10 years) within the average remaining service period at the time of recognition.

Actuarial net gain or loss is amortized on a straight-line basis over certain years (10 years) within the average remaining service period at the time of recognition from the succeeding period.

Unrecognized actuarial net gains or losses and unrecognized prior service costs are included, after adjusting for tax effects, in the re-measurements of defined benefit plans under accumulated other comprehensive income in the net asset section. Some of the Company's consolidated subsidiaries adopt a simplified method for the calculation of net defined benefit and retirement benefit costs, and recognize the amount payable to employees retiring due to personal reasons at year-end as the amount of retirement benefit obligations.

(ii) Accounting procedures for consumption taxes, etc.

Consumption taxes and local consumption taxes are accounted for by applying the tax.

[Notes on changes in accounting policies]

From the consolidated fiscal year under review, the Group applies the provisions set forth in the main clause of Paragraph 35 of the "Accounting Standards for Retirement Benefits" (Corporate Accounting Standards No. 26 issued on May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the provisions set forth in the main clause of Paragraph 67 of the "Application Guidelines for Accounting Standards for Retirement Benefits" (Application Guidelines for Corporate Accounting Standards No. 25 issued on March 26,2015; hereinafter "Retirement Benefits Application Guidelines"). As a result, the retirement benefit formula, instead of the straight-line attribution, is used for the attribution of expected benefits to service periods. As for the method to determine the discount rate, a single weighted average discount rate reflecting the estimated benefit payment period and the amount for each estimated benefit payment period is used, instead of the method based on the number of years equivalent to the average remaining service years for employees.

Application of Retirement Benefits Accounting Standards, etc. is pursuant to the transitional treatment stipulated in Paragraph 37 of the Retirement Benefits Accounting Standards. As of the beginning of the consolidated fiscal year under review, the amount affected by this change of method for the calculation of retirement benefit obligations and service costs is added to or deducted from retained earnings.

As a result, at the beginning of the consolidated fiscal year under review, net defined benefit liability decreased by 291 million yen and retained earnings increased by 188 million yen. The effects of this change on income or loss and per share information are negligible.

[Notes on changes in presentation method]

(Consolidated statement of income)

1. "Gain on investments in insurance funds" that was included in "Dividend income" under non-operating income for the previous consolidated fiscal year was scheduled to be separately disclosed from the current consolidated fiscal year under review so that more details can be disclosed. However, it is included in "Other" from the current consolidated fiscal year under review because the amount is not material.

   "Dividend income", "Dividend income of insurance" and "Gain on sales of scraps" that were separately disclosed as non-operating income for the previous consolidated fiscal year are included in "Other" from the current consolidated fiscal year because the amounts are not material.

2. "Loss on sales of non-current assets" that was separately disclosed in extraordinary losses for the previous consolidated fiscal year are included in "Other" from the current consolidated fiscal year because the amount is not material.

[Notes on Consolidated Balance Sheets]

(Million yen)

1. Accumulated depreciation of property, plant and equipment	196,144
2. For non-consolidated subsidiaries and affiliates	
Investment securities (equity)	15,276
"Other" (investments) under Investments and other assets	2,469

[Notes on Consolidated Statements of Income]

(Million yen)

1. Principal items under selling, general and administrative expenses	
Salaries and allowances	32,862
Bonuses	8,402
Retirement benefit expenses	1,126
Provision of allowance for doubtful accounts	636
2. Research and development expenses included under general and administrative expenses as well as manufacturing costs for the term	17,607

[Notes on Consolidated Statement of Changes in Equity]

1. Matters pertaining to outstanding shares and treasury share

(Shares)

	Type	At the beginning of Fiscal 2014	Increase	Decrease	At the end of Fiscal 2014
Outstanding shares	Common share	68,869,359	—	1,500,000	67,369,359
Treasury share	Common share	1,326,301	362,170	1,505,500	182,971

Note 1: The number of outstanding shares decreased by 1,500,000 due to retirement of treasury share.

Note 2: Of the increase in the number of treasury share, 360,900 shares were due to purchase of treasury share by the Company and 1,270 shares were due to purchase of odd-lot shares. Of the decrease in the number of treasury share, 1,500,000 shares were due to retirement of treasury share, and 5,500 shares were due to sale of the shares from the Employee Stock Ownership Association Trust (ESOP) to the employees' stock ownership association.

2. Matters pertaining to dividends

(1) Dividend amount

Resolved	Type	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (Jun. 26, 2014)	Common share	¥ 6,078 million	¥ 90	March 31, 2014	June 27, 2014
Board of Directors' Meeting (Nov. 10, 2014)	Common share	¥ 6,046 million	¥ 90	September 30, 2014	December 1, 2014

Note: The Company recognizes its shares owned by the ESOP Trust as treasury share in accounting. Therefore, the total dividend amount in the above does not include the dividend for the said share (dividend of 3 million yen resolved at the Ordinary General Meeting of Shareholders held on June 26, 2014 and 3 million yen resolved at the Board of Directors' Meeting held on November 10, 2014).

(2) Dividend whose record date is within the term and effective date in the succeeding term

The following is to be proposed at the Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2015.

Type	Source	Total dividend amount	Dividend per share	Record date	Effective date
Common share	Retained earnings	¥ 6,718 million	¥ 100	March 31, 2015	June 26, 2015

Note: The Company recognizes its shares owned by the ESOP Trust as treasury share in accounting. Therefore, the total dividend amount in the above does not include 3 million yen of dividend for the said share.

[Notes relating to financial instruments]

1. Matters relating to the status of financial instruments

(1) Policy on financial instruments

The SMC Group is financing funds for working capital through self-financing and fund procurement from external sources centering on loans from banks.

The Company invests temporary surplus funds in financial instruments with high levels of safety while its consolidated subsidiaries are prohibited from investing such funds in short-term investment securities in principle and invest them instead in bank deposits, etc.

Regarding the derivative transactions, we have established internal regulations to decide upon the company's internal policy to limit derivative transactions within the range of actual demand and not to make speculative transactions.

(2) Contents and risk of financial instruments

Notes and accounts receivable-trade, which are operating receivables, are subject to the credit risk of customers. Foreign-currency-denominated notes and accounts receivable-trade are subject to the risk of exchange-rate fluctuations.

Short-term investment securities and investment securities, which mainly consist of stocks of companies that have business relationships with the Company and securities investment trusts, are subject to market price volatility risk and other risks.

Notes and accounts payable-trade, which are operating debts, have a due date of one year or less. Foreign-currency-denominated notes and accounts payable-trade drawn for imports of raw materials, etc. are subject to the risk of exchange-rate fluctuations.

Loans payable consist of borrowings at a fixed interest rate that are appropriated for working capital. Long-term loans payable have a due date of up to five years after the consolidated financial statement date.

(3) Risk management system for financial instruments

(i) Credit risk management (risk relating to non-performance by customers)

Regarding credit risk management for operating receivables, we manage the due date and balance of receivables by customer, and have established a system in which we collect information on the credit status of customers on a daily basis. We perform risk assessment regularly to ensure receivables are protected. In the meantime, the Company receives guarantee deposits from its principal distribution agents.

We limit derivative transactions to only those financial institutions with high credit ratings.

(ii) Market risk management (risk of fluctuations in exchange rates and interest rates)

For foreign-currency-denominated operating receivables and operating debts, the Company and some of its consolidated subsidiaries may be engaged in foreign exchange forward contract transactions when required. The balance of foreign-currency-denominated operating debts is constantly within the balance of foreign-currency-denominated operating receivables.

We regularly keep track of the fair values and financial conditions of the issuers of short-term investment securities and investment securities.

(iii) Liquidity risk management relating to financing (risk of inability to repay on the due date)

We manage liquidity risk by methods such as creating a cash flow plan.

(4) Supplementary explanation of matters relating to fair value of financial instruments and others

Fair values of financial instruments include the values based on market prices, and the

values deemed to be market prices obtained by the reasonable estimate when the financial instruments do not have market prices. Since certain assumptions and others are adopted for calculating such values, they may differ when adopting different assumptions and others.

2. Matters relating to fair value of financial instruments and others

The following are the consolidated balance sheet amounts, fair values and differences between them as of March 31, 2015 Items whose fair values are extremely difficult to determine are excluded from the table below. (Refer to Note 2 for details.)

(Million yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	453,178	453,178	—
(2) Notes and accounts receivable-trade	120,956	120,956	—
(3) Securities and investment securities			
Available-for-sale securities	32,799	32,799	—
Total assets	606,935	606,935	—
(4) Notes and accounts payable-trade	48,753	48,753	—
(5) Short-term loans payable	63,475	63,475	—
Total liabilities	112,228	112,228	—
Derivative transactions	—	—	—

(Notes)

1. Calculation method of fair value of financial instruments and matters relating to short-term investment securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Since contractual terms of these items are short and fair values of these items approximate book values, we deem the book values to be fair values.

(3) Securities and investment securities

Of the securities and investment securities, fair values of stocks are based on market prices on securities exchanges and fair values of bonds and beneficiary rights of securities investment trust are based on market prices on securities exchanges or prices offered by correspondent financial institutions.

Liabilities

(4) Notes and accounts payable-trade and (5) Short-term loans payable

Since contractual terms of these items are short and fair values of these items approximate book values, we deem the book values to be fair values.

Derivative transactions

There are no relevant matters for the fiscal year under review.

2. Financial instruments whose fair values are deemed extremely difficult to determine

Category	Consolidate balance sheet amount
Shares of subsidiaries and associates	¥ 15,276 million
Unlisted stocks	¥ 217 million

The above items are excluded from "(3) Securities and investment securities" as they have no market prices and we deem it extremely difficult to determine the fair values.

3. Projected redemption amounts for monetary claims and securities that have maturity dates after the consolidated balance sheet date

(Million yen)

	1 year or less	More than 1 year but not more than 5 years	More than 5 years but not more than 10 years	More than 10 years
(1) Cash and deposits	453,152	—	—	—
(2) Notes and accounts receivable-trade	120,956	—	—	—
(3) Securities				
Held-to-maturity bonds				
(Government bonds)	—	6,084	—	—
(other)	—	4,684	1,004	—
Total		10,768	1,004	—

4. Projected redemption amounts for Short-term loans payable after the consolidated balance sheet date

	1 year or less
Short-term loans payable	¥ 63,475 million

[Notes on per share information]

1. Shareholders' equity per share: 13,682.01 yen

2. Net income per share: 1,629.38 yen

[Notes on significant subsequent events]

None

(Note) In the Consolidated Financial Statement of Changes in Equity and the Notes to the Consolidated Financial Statement, amounts are rounded down to match the unit in which they are presented.

Non-consolidated Statement of Changes in Equity

(April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for special depreciation	Reserve for reduction entry of assets	Reserve for dividends
Balance at beginning of the period	61,005	72,576	—	72,576	15,251	101	287	150,250
Cumulative effects of changes in accounting policies								
Restated balance	61,005	72,576	—	72,576	15,251	101	287	150,250
Changes of items during period								
Reversal of reserve for special depreciation						(20)		
Provision of reserve for reduction entry of assets							45	
Reversal of reserve for reduction entry of assets							(2)	
Dividends of surplus								
Net income								
Purchase of treasury shares								
Disposal of treasury shares			88	88				
Retirement of treasury shares			(88)	(88)				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	—	(20)	43	—
Balance at end of the period	61,005	72,576	—	72,576	15,251	80	331	150,250

(Million yen)

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of the period	182,869	348,758	(23,892)	458,448	1,454	1,454	459.902
Cumulative effects of changes in accounting policies	188	188		188			188
Restated balance	183,057	348,946	(23,892)	458,636	1,454	1,454	460,090
Changes of items during period							
Reversal of reserve for special depreciation	20	—		—			—
Provision of reserve for reduction entry of assets	(45)	—		—			—
Reversal of reserve for reduction entry of assets	2	—		—			—
Dividends of surplus	(12,125)	(12,125)		(12,125)			(12,125)
Net income	64,841	64,841		64,841			64,841
Purchase of treasury shares			(10,035)	(10,035)			(10,035)
Disposal of treasury shares			72	160			160
Retirement of treasury shares	(30,308)	(30,308)	30,396	—			—
Net changes of items other than shareholders' equity					3,885	3,885	3,885
Total changes of items during period	22,385	22,407	20,433	42,841	3,885	3,885	46,726
Balance at end of the period	205,442	371,354	(3,458)	501,477	5,339	5,339	506,817

Notes to the Non-consolidated Financial Statements

[Notes to the premises of a going concern]

None

[Significant matters pertaining to accounting policies]

1. Valuation standards and methods of short-term investment securities

(1) Shares of subsidiaries and affiliates: Stated at cost using the moving average method.

(2) Other securities

1) With fair value: Stated at fair value based on the market value of the settlement date.
(All unrealized gains and losses are included in Shareholders' Equity and cost of sales is computed using the moving average method.)

2) Without fair value: Stated at cost using the moving average method.

2. Valuation standards and methods of inventory assets

Principally stated at cost based on the total average method (where market value shall be recorded in the balance sheet in the case of a decline in profitability).

3. Depreciation methods of non-current assets

(1) Property, plant and equipment (excluding lease assets)

In accordance with the declining balance method.

However, buildings acquired on and after April 1, 1998 (excluding equipment of buildings) are amortized based on the straight-line method.

Primary useful periods are as described below.

Buildings and structures: 3-50 years

Machinery, equipment and vehicles / Tools, furniture and fixtures: 2-20 years

(2) Intangible assets (excluding lease assets)

In accordance with the straight-line method.

Internal-use software is amortized on a straight-line basis over the useful life period (5 years).

4. Allowances

(1) Allowance for doubtful accounts

An allowance is provided for possible loan losses upon assessing the amount deemed irrecoverable by applying the historical bad-debt ratio for general claims and by individually estimating such amount for specific doubtful claims.

(2) Provision for retirement benefits

A reserve is provided for employee retirement benefits based on the projected amount of benefit obligations and pension plan assets in the term. For the calculation of retirement benefit obligations, the retirement benefit formula is used to attribute expected retirement benefits to the period until the fiscal year under review.

Prior service cost is amortized on a straight-line basis over certain years (10 years) within the average remaining service periods at the time of recognition.

Actuarial net gain or loss is amortized on a straight-line basis over certain years (10 years) within the average remaining service periods at the time of recognition from the succeeding year.

(3) Provision for directors' retirement benefits

A reserve is provided for retirement benefits for Directors in the required amount to be paid based on the internal rules for such payments.

5. Other significant matters constituting the basis for preparing the Financial Statements

(1) Accounting procedures for retirement benefits

The accounting procedures for unrecognized actuarial net gains or losses and unrecognized prior service costs related to retirement benefits are different from those adopted to prepare the consolidated financial statements.

(2) Accounting procedures for consumption taxes, etc.

Consumption taxes and local consumption taxes are accounted for by applying the tax.

[Notes on changes in presentation method]

From the fiscal year under review, the Company applies the provisions set forth in the main clause of Paragraph 35 of the "Accounting Standards for Retirement Benefits" (Corporate Accounting Standards No. 26 issued on May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the provisions set forth in the main clause of Paragraph 67 of the "Application Guidelines for Accounting Standards for Retirement Benefits" (Application Guidelines for Corporate Accounting Standards No. 25 issued on March 26, 2015; hereinafter "Retirement Benefits Application Guidelines"). As a result, the retirement benefit formula, instead of the straight-line attribution, is used for the attribution of expected benefits to service periods. As for the method to determine the discount rate, a single weighted average discount rate reflecting the estimated benefit payment period and the amount for each estimated benefit payment period is used, instead of the method based on the number of years equivalent to the average remaining service years for employees.

Application of Retirement Benefits Accounting Standards, etc. is pursuant to the transitional treatment stipulated in Paragraph 37 of the Retirement Benefits Accounting Standards. As of

the beginning of the fiscal year under review, the amount affected by this change of method for the calculation of retirement benefit obligations and service costs is added to or deducted from retained earnings.

As a result, at the beginning of the consolidated fiscal year under review, net defined benefit liability decreased by 291 million yen and retained earnings increased by 188 million yen. The effects of this change on income or loss and per share information are negligible.

[Notes on changes in presentation method]

(Statement of income)

1. "Gain on investments in insurance funds" (non-operating income) that was included in "Interest and dividend income" (1,664 million yen) for the previous fiscal year was scheduled to be separately disclosed for the fiscal year under review so that more details can be disclosed. However, it is included in "Other" (3,123 million yen) for the fiscal year under review because the amount is not material.

2. "Dividend income of insurance" (457 million yen), "Royalty income" (524 million yen) and "Gain on sales of scraps" (171 million yen) that were separately disclosed in non-operating income for the previous fiscal year are included in "Other" (3,123 million yen) from the fiscal year under review because the amounts are not material.

[Notes on Balance Sheets]

	(Million yen)
1. Accumulated depreciation of property, plant and equipment	115,254
2. Receivables and payables in relation to subsidiaries and associates	
Short-term receivables	57,143
Long-term receivables	2,125
Short-term payables	14,232

[Notes on Statements of income]

Transactions with subsidiaries and associates

	(Million yen)
Net sales	183,162
Purchase amount	42,640
Selling, general and administrative expenses	1,985
Non-operating transaction amount	1,334

[Notes on Statement of Changes in Equity]

Matters pertaining to treasury share (Shares)

	Type	At the beginning of Fiscal 2014	Increase	Decrease	At the end of Fiscal 2014
Treasury share	Common share	1,326,301	362,170	1,505,500	182,971

Note: Of the increase in the number of treasury share, 360,900 shares were due to purchase of treasury share by the Company and 1,270 shares were due to purchase of odd-lot shares. Of the decrease in the number of treasury share of 1,500,000 shares were due to the retirement of treasury share and 5,500 shares were due to sale of the shares from the ESOP Trust to the employees' stock ownership association.

[Notes on deferred tax accounting]

Significant components of deferred tax assets and deferred tax liabilities

(Million yen)

	The 56th fiscal term (As of March 31, 2015)
Deferred tax assets	
Loss on valuation of investment securities	613
Valuation loss on inventories	3,472
One-time depreciable assets	30
Loss on valuation of shares of subsidiaries and affiliates	1,224
Allowance for doubtful accounts	84
Accounts payable other	178
Accrued enterprise taxes, accrued business office taxes	1,693
Accrued expenses	2,627
Provision for retirement benefits	2,413
Provision for directors' retirement benefits	183
Asset retirement obligations	85
Other	233
Total deferred tax assets	12,839
Deferred tax liabilities	
Asset retirement obligations	(13)
Reserve for special depreciation	(38)
Reserve for reduction entry of assets	(158)
Valuation difference on available-for-sale securities	(2,660)
Other	(181)
Total deferred tax liabilities	(3,052)
Net deferred tax assets	9,787

Revision of the amounts of deferred tax assets and deferred tax liabilities due to the changes in income tax rates

Under the "Act on for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) promulgated on March 31, 2015, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities for the fiscal year under review (limited, however, to those reversed on or after April 1, 2015) will be changed from 35.4% for the previous fiscal year to 33.1% if the period of collection or payment is anticipated to be from April 1, 2015 to March 31, 2016 and to 32.3% if such period is anticipated to start on or after April 1, 2016.

The effects of this tax rate change are a decrease of deferred tax assets by 706 million yen (after deduction of deferred tax liabilities), an increase of income taxes-deferred by 946 million yen for the fiscal year under review, and an increase of valuation difference on available-for-sale securities by 240 million yen.

[Notes on transactions with related parties]

Subsidiaries (Million yen)

Attributes	Name	Percentage of voting rights	Relationship	Transaction	Amount	Account title	Term ending balance
Subsidiary	SMC US	(Direct) 100.0%	Distributor of the Company's products and supplier	Sales of the Company's product	31,012	Accounts receivable-trade	7,905
Subsidiary	SMC China	(Direct) 100.0%	Distributor of the Company's products and supplier	Sales of the Company's product	31,984	Accounts receivable-trade	10,258

Transaction conditions and policies on determining such conditions

The sales price is determined in consideration of the prevailing market price.

[Notes on per share information]

1. Shareholders' equity per share: 7,543.45 yen

2. Net income per share: 964.12 yen

[Notes on significant subsequent events]

None

(Note) In the Non-consolidated Statement of Changes in Equity and the Notes to the Non-consolidated Financial Statements, amounts are rounded down to match the unit in which they are presented.