August 6, 2015

Consolidated Financial Highlights for the First Quarter Ended June 30, 2015 [under Japanese GAAP]

Company name : **SMC Corporation**
Stock exchange listing : Tokyo Stock Exchange first section
Security code : 6273
URL : http://www.smcworld.com/ir/en/
Representative : Katsunori Maruyama, President
Contact person : Ikuji Usui, Executive Managing Director
Projected date of filing quarterly report : August 6, 2015
Projected starting date of dividend payment : —

1. Consolidated Financial Highlights for the First Quarter Ended June 30, 2015 (April 1, 2015 to June 30, 2015)

(1) Consolidated Operating Results

(Millions of Yen)

1st Quarter Ended June 30	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
2015	¥ 124,543	11.9%	¥ 37,778	12.3%	¥ 43,796	28.7%	¥ 30,682	24.7%
2014	¥ 111,317	15.0%	¥ 33,650	22.1%	¥ 34,022	(0.8%)	¥ 24,604	0.4%

(Note) Comprehensive Income 1Q ended June 30,2015: ¥ 46,095 million 113.3%
1Q ended June 30,2014: ¥ 21,605 million (44.2%)

(Yen)

1st Quarter Ended June 30	Net Income per share	Net Income per share(diluted basis)
2015	¥ 456.67	—
2014	¥ 364.70	—

(2) Consolidated Financial Positions

(Millions of Yen)

	Total Assets	Net Assets	Equity Ratio
June 30, 2015	¥ 1,175,239	¥ 960,842	81.6%
March 31, 2015	¥ 1,129,001	¥ 921,483	81.4%

(Note) Shareholders' equity As of June 30, 2015 : ¥ 958,599 million
As of March 31, 2015 : ¥ 919,245 million

2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2015 (Actual)	—	90.00	—	100.00	190.00
2016 (Actual)	—	NA	NA	NA	NA

2016 (Projected)	NA	100.00	—	100.00	200.00

(Note) Revision of dividends forecast during this period : None

3. Forecasts of operating results for the year ending March 31, 2016

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Net Income per share
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Yen)
Half year ending September 30,2015	¥241,500 8.5%	¥66,000 4.5%	¥69,500 (6.3%)	¥49,700 (5.9%)	¥739.73
Year ending March 31,2016	¥485,000 5.9%	¥133,000 4.2%	¥140,000 (11.8%)	¥100,000 (8.7%)	¥1,488.39

(Note) Revision of forecasts of operating results during this period : None

＊ Notes

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2015: None

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1. Changes in accounting policies applied due to revisions of accounting standards: Yes
2. Changes in accounting policies other than the above: None
3. Changes in accounting estimates: None
4. Retrospective restatement: None

(4) Number of shares issued

1. Number of common shares issued (including treasury shares)

As of June 30, 2015 :	67,369,359
As of March 31, 2015 :	67,369,359

2. Number of treasury shares

As of June 30, 2015 :	182,573
As of March 31, 2015 :	182,971

3. Average number of common shares for the three months ended

June 30, 2015 :	67,186,577
June 30, 2014 :	67,464,846

Information on status of the audit procedures

At the time of disclosure of these highlights, the quarterly consolidated financial statement review procedures based on the Financial Instruments and Exchange Law of Japan are completed.

Appropriate use of business forecasts; other special items

The forecast contains forward-looking statements that are based on available data at the time of this release.

Some factors could cause actual results to differ from expectations.

1. Qualitative Information about the Quarterly Results

(1) Description of Operating Results

During the first quarter (from April 1, 2015 to June 30, 2015), although economic growth in emerging countries including China became slower, U.S. and other developed countries' economies remain steady, and trend of Japanese economy was also maintained, even it's slowly, to recover on the back of ongoing stock prices, stabilizing foreign exchange rates and improvement in employment.

In the automatic control equipment business, there was continuously strong demand related to automobile industries, mainly in the North America and European regions.

Under these circumstances, SMC group developed sales activities focusing to the sales expansion of main products. SMC group also made capital investments to expand its production capacity, improve production efficiency and equipment efficiency, and saving operational costs.

As a result, consolidated net sales for the first quarter were 124,543 million yen (increased 11.9% from the previous corresponding period), and operating income was 37,778 million yen (12.3% increase), mainly because revenue growth and beneficial effect on profit increase by the weakened yen. And mainly because of account for 3,344 million yen foreign exchange gains (at the previous corresponding period, foreign exchange losses of 2,076 million yen), ordinary income was 43,796 million yen (28.7% increase) and profit attributable to owners of parent was 30,682 million yen (24.7% increase).
ROE became 3.3%, gained by 0.2 points from the previous corresponding period.

(2) Description of Financial Positions

Total assets as of the end of the first quarter were 1,175,239 million yen, which was an increase of 46,238 million yen (4.1%) from the previous fiscal year end. The main factors of that were 27,281 million yen increase in cash and deposits 5,053 million yen increase in notes and accounts receivable - trade, 5,905 million yen increase in property, plant and equipment.
Total liabilities were 214,397 million yen, which was an increase of 6,879 million yen (3.3%) from the previous fiscal year end. The main factor of that were 3,905 million yen decrease in long-term loans payable, 12,820 million yen decrease in income tax payable, and 4,559 million yen increase in notes and accounts payable-trade, 12,000 million yen increase in short-term loans payable.
Net assets increased 39,359 million yen (4.3%) to 960,842 million yen, mainly due to 23,964 million yen increase in retained earnings and 14,517 million yen increase in foreign currency translation adjustment with the weaker yen. Equity ratio became 81.6%.

(3) Consolidated Forecasts and Other Forward-Looking Information

Full-year consolidated forecasts for the year ending March 31, 2016 that was announced on May 15, 2015 has been unchanged.

2. Summary Information (Notes)

(1) Adoption of special accounting methods for presenting quarterly consolidated financial statements

[Calculation of income taxes]

As for income taxes, the effective tax rate after applying the tax effect accounting to the income before income taxes of the fiscal year including this first quarter was reasonably estimated.

And income tax was calculated by multiplying the income before income taxes by this estimated effective tax rate.

Income taxes for some subsidiaries were computed with effective statutory tax rates instead of estimated effective tax rates. Recoverable amount for differed tax assets were reasonably estimated.

(2) Changes of accounting policies applied, changes in accounting estimates and retrospective restatement

[Application of "Accounting Standard for Business Combinations," etc.]

SMC Corporation has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013, hereinafter the "Business Combinations Standard"), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013, hereinafter the "Consolidated Financial Statements Standard"), and the "Accounting Standard for Business Divestures" (ASBJ Statement No.7, September 13, 2013, hereinafter the "Business Divestures Standard"), etc. from the first quarter under review, causing differences resulting from changes in the SMC's ownership of subsidiaries of which ownership continues to be recorded in capital surplus and changing the method of recording acquisition-related expenses in the fiscal year in which such expenses are incurred. Also, for corporate combinations occurring after the beginning of the first quarter under review, the allocation of acquisition costs determined under provisional accounting treatment have been revised, reflecting such cost in the consolidated quarterly financial statements for the consolidated quarterly financial period to which the business combination date belongs. Furthermore, the presentation of quarterly net income has been changed, and the presentation of minority interests has been changed to non-controlling interests. The consolidated quarterly financial statements for the previous fiscal year have been revised to reflect these changes in presentation.

With regard to application of the Business Combinations Standard, etc., in accordance with transitional treatments as stipulated in paragraph 58-2(4) of the Business Combinations Standard, paragraph 44-5(4) of the Consolidated Financial Statements Standard, and paragraph 57-4(4) of the Business Divestitures Standard, these standards will be applied going forward from the beginning of the first quarter under review.

These adoptions had no impact on the consolidated quarterly financial statements for the first quarter under review.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(Millions of Yen)

	Year end -Previous year As of March 31, 2015	First quarter end -Current year As of June 30, 2015
[ASSETS]		
Current assets		
Cash and deposits	453,178	480,460
Notes and accounts receivable-trade	120,956	126,010
Merchandise and finished goods	90,044	89,718
Work in process	16,396	16,968
Raw materials and supplies	88,132	89,063
Other	34,837	35,640
Allowance for doubtful accounts	(1,288)	(1,276)
Total current assets	**802,257**	**836,585**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,405	62,768
Machinery, equipment and vehicles, net	31,288	33,030
Land	32,824	33,595
Other, net	22,342	23,372
Total property, plant and equipment	**146,861**	**152,766**
Intangible assets	4,884	4,935
Investments and other assets		
Investment securities	48,294	49,979
Insurance funds	115,579	116,418
Other	12,262	15,727
Allowance for doubtful accounts	(1,139)	(1,171)
Total investments and other assets	**174,997**	**180,952**
Total non-current assets	**326,743**	**338,654**
Total assets	**1,129,001**	**1,175,239**

(Millions of Yen)

	Year end -Previous year As of March 31, 2015	First quarter end -Current year As of June 30, 2015
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	48,753	53,312
Short-term loans payable	63,475	75,475
Income taxes payable	29,528	16,707
Provision for bonuses	2,969	6,294
Provision	—	645
Other	34,345	36,459
Total current liabilities	**179,071**	**188,895**
Non-current liabilities		
Long-term loans payable	7,106	3,201
Provision for directors' retirement benefits	794	810
Net defined benefit liability	1,421	1,339
Other	19,122	20,151
Total non-current liabilities	**28,445**	**25,502**
Total liabilities	**207,517**	**214,397**
[NET ASSETS]		
Shareholders' equity		
Capital stock	61,005	61,005
Capital surplus	72,677	72,689
Retained earnings	696,953	720,918
Treasury shares	(3,458)	(3,455)
Total shareholders' equity	**827,178**	**851,157**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,841	6,830
Foreign currency translation adjustment	81,697	96,214
Remeasurements of defined benefit plans	4,527	4,396
Total accumulated other comprehensive income	**92,066**	**107,441**
Non-controlling interests	**2,238**	**2,243**
Total net assets	**921,483**	**960,842**
Total liabilities and net assets	**1,129,001**	**1,175,239**

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income

Consolidated Quarterly Statement of Income

(Millions of Yen)

	First quarter ended June 30, 2014 From April 1, 2014 to June 30, 2014	First quarter ended June 30, 2015 From April 1, 2015 to June 30, 2015
Net sales	**111,317**	**124,543**
Cost of sales	**55,043**	**61,293**
Gross profit	**56,273**	**63,249**
Selling, general and administrative expenses	**22,623**	**25,471**
Operating income	**33,650**	**37,778**
Non-operating income		
Interest income	1,624	1,782
Foreign exchange gains	—	3,344
Other	998	1,062
Total non-operating income	**2,623**	**6,189**
Non-operating expenses		
Interest expenses	84	75
Sales discounts	57	56
Foreign exchange losses	2,076	—
Other	32	38
Total non-operating expenses	**2,251**	**170**
Ordinary income	**34,022**	**43,796**
Extraordinary income		
Gain on sales of non-current assets	20	17
Gain on sales of investment securities	397	—
Other	4	1
Total extraordinary income	**422**	**19**
Extraordinary losses		
Loss on retirement of non-current assets	24	16
Other	3	7
Total extraordinary losses	**28**	**23**
Income before income taxes and minority interests	**34,415**	**43,792**
Income taxes	**9,797**	**13,090**
Profit	**24,617**	**30,702**
Profit attributable to non-controlling interests	**12**	**19**
Profit attributable to owners of parent	**24,604**	**30,682**

Consolidated Quarterly Statement of Comprehensive Income

(Millions of Yen)

	First quarter ended June 30, 2014 From April 1, 2014 to June 30, 2014	First quarter ended June 30, 2015 From April 1, 2015 to June 30, 2015
Profit	**24,617**	**30,702**
Other comprehensive income		
Valuation difference on available-for-sale securities	819	994
Foreign currency translation adjustment	(3,722)	14,529
Remeasurements of defined benefit plans, net of tax	(108)	(130)
Total other comprehensive income	**(3,011)**	**15,393**
Comprehensive income	**21,605**	**46,095**
(Breakdown)		
Comprehensive income attributable to owners of parent	21,592	46,058
Comprehensive income attributable to non-controlling interests	13	37

(3) Notes to Consolidated Quarterly Financial Statements

Notes on going-concern assumption **NA**

Notes in event of significant changes in shareholders' equity **NA**

Supplementary Information

(1) Geographic segment information

(Millions of Yen)

	1Q ended June 30, 2015							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1)Sales to external customers	39,067	20,810	19,185	42,577	2,902	124,543	—	124,543
(2)Intersegment sales	43,445	485	221	12,771	4	56,928	(56,928)	—
Total	82,513	21,296	19,406	55,348	2,906	181,471	(56,928)	124,543
Operating income	23,580	3,879	2,072	10,559	48	40,140	(2,362)	37,778

(2) Capital expenditures, Depreciation and R&D expense

(Millions of Yen)

	1Q ended June 30, 2015		Year ending March 31, 2016 (Forecast)	
Capital expenditures	6,604	(4.2%)	52,000	81.4%
Depreciation	3,154	3.8%	15,200	15.5%
R&D expense	4,769	6.9%	18,500	5.1%

(3) Full-time employees and temporary employees

(Number of personnel)

	1Q ended June 30, 2015	Increase (decrease) from last year end
Full-time employees (at end)	17,738	349
Temporary employees (average)	4,893	(46)