November 9, 2015

Consolidated Financial Highlights for the Second Quarter Ended September 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 : November 9, 2015
Projected starting date of dividend payment : December 1, 2015

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

(1) Consolidated Operating Results

(Millions of Yen)

2nd Quarter Ended September 30	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
2015	¥ 242,887	9.1%	¥ 70,640	11.8%	¥ 75,807	2.2%	¥ 53,916	2.0%
2014	¥ 222,634	14.9%	¥ 63,185	21.6%	¥ 74,141	22.1%	¥ 52,837	23.3%

(Note) Comprehensive Income 2Q ended September 30,2015: ¥ 31,437 million (58.9%)
2Q ended September 30,2014: ¥ 76,479 million 30.2%

(Yen)

2nd Quarter Ended September 30	Net Income per share	Net Income per share(diluted basis)
2015	¥ 802.48	—
2014	¥ 784.82	—

(2) Consolidated Financial Positions

(Millions of Yen)

	Total Assets	Net Assets	Equity Ratio
September 30, 2015	¥ 1,147,684	¥ 946,235	82.3%
March 31, 2015	¥ 1,129,001	¥ 921,483	81.4%

(Note) Shareholders' equity As of September 30, 2015 : ¥ 943,976 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)	—	100.00	NA	NA	NA
2016 (Projected)	NA	NA	—	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)
Year ending March 31,2016	¥467,000 1.9%	¥130,000 1.8%	¥137,000 (13.7%)	¥98,000 (10.6%)	¥1,458.58

(Note) Revision of forecasts of operating results during this period : Yes

＊ Notes

(1) Changes in significant subsidiaries during the second quarter ended September 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 common shares issued
1. Number of common shares issued (including treasury shares)

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

2. Number of treasury shares

As of September 30, 2015 :	181,085
As of March 31, 2015 :	182,971

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

September 30, 2015 :	67,187,282
September 30, 2014 :	67,323,631

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

1. The revised forecasts of operating results for the year ending March 31, 2016, are shown in this release.
2. 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 period up to the second quarter ended (from April 1, 2015 to September 30, 2015), while the slowdown in the Chinese economy became more significant, U.S. economy remained steady, European economy facing the financial instability followed the way of recovery. In Japan, although personal consumption was not robust, economic recovery was also maintained, even it was slowly, on the back of ongoing stock prices, stabilizing foreign exchange and improvement in company earnings and in employment situation.

Demands of automatic control equipments showed the steady grows, related to automobile industries, mainly in the North America and European regions.

Under these circumstances, SMC group developed sales activities focusing to the penetration of overseas markets and the sales expansion of main products, also made capital investments to expand its production capability in Japan and overseas, and forced on the ongoing activities of streamline.

As a result, consolidated net sales for the second quarter were 242,887 million yen (increased 9.1% from the previous corresponding period). Mainly because revenue growth and beneficial effect of the weakened yen, operating income was 70,640 million yen (11.8% increase). Ordinary income was 75,807 million yen (2.2% increase), despite foreign exchange gains greatly decreased compared with the previous corresponding period and profit attributable to owners of parent was 53,916 million yen (2.0% increase).

ROE became 5.8%, declined by 0.7 points from the previous corresponding period.

(2) Description of Financial Positions

Total assets as of the end of the second quarter were 1,147,684 million yen, which was an increase of 18,683 million yen (1.7%) from the previous fiscal year end. The main factors of that were 19,295 million yen increase in cash and deposits, while 5,620 million yen decrease in inventory and 3,569 million yen decrease in notes and accounts receivable - trade.

Total liabilities were 201,449 million yen, which was a decrease of 6,068 million yen (2.9%) from the previous fiscal year end. The main factor were 9,619 million yen decrease in income tax payable as a result of paying taxes despite 4,835 million yen increase in notes and accounts payable-trade.

Net assets increased 24,751 million yen (2.7%) to 946,235 million yen, mainly due to 47,198 million yen increase in retained earnings, and 20,421 million yen decrease in foreign currency translation adjustment from the previous fiscal year end.

Equity ratio became 82.3%.

(3) Consolidated Forecasts and Other Forward-Looking Information

The forecasts of operating results for the year ending March 31, 2016 has been revised in this release based on the actual results up to the second quarter of this year, and the recent economic environments both domestic and overseas especially the slowdown of Chinese economy, from the previous forecasts announced on May 15, 2015.

Average foreign exchange rates for this fiscal year which are precondition for above revised forecasts had been changed to 120 yen per 1 US dollar and 134 yen per 1 Euro.

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Net Income per share
Previous Forecasts (A) (announced on May 15, 2015)	(Millions of Yen) 485,000	(Millions of Yen) 133,000	(Millions of Yen) 140,000	(Millions of Yen) 100,000	(Yen) 1,488.39
Revised Forecasts (B)	**467,000**	**130,000**	**137,000**	**98,000**	**1,458.58**
Changes (B-A)	(18,000) (3.7%)	(3,000) (2.3%)	(3,000) (2.1%)	(2,000) (2.0%)	—
<Reference>					
Results of the Previous FY 2014 (Year ended March 31, 2015)	458,081	127,686	158,816	109,583	1,629.38

The above forecast contains forward-looking statements that are based on available data and reasonable conditions at the time of release. Actual results may vary materially from those described herein by some factors that differ from expectations.

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 second 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, 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, 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 second quarter and the consolidated 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.

These adoptions had no impact on the consolidated quarterly financial statements for the second 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	Second quarter end -Current year As of September 30, 2015
[ASSETS]		
Current assets		
Cash and deposits	453,178	472,473
Notes and accounts receivable-trade	120,956	117,386
Merchandise and finished goods	90,044	85,406
Work in process	16,396	16,306
Raw materials and supplies	88,132	87,240
Other	34,837	34,971
Allowance for doubtful accounts	(1,288)	(849)
Total current assets	**802,257**	**812,936**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,405	60,122
Machinery, equipment and vehicles, net	31,288	33,603
Land	32,824	32,412
Other, net	22,342	23,859
Total property, plant and equipment	**146,861**	**149,997**
Intangible assets	4,884	4,842
Investments and other assets		
Investment securities	48,294	45,610
Insurance funds	115,579	120,008
Other	12,262	16,471
Allowance for doubtful accounts	(1,139)	(2,182)
Total investments and other assets	**174,997**	**179,907**
Total non-current assets	**326,743**	**334,748**
Total assets	**1,129,001**	**1,147,684**

(Millions of Yen)

	Year end -Previous year As of March 31, 2015	Second quarter end -Current year As of September 30, 2015
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	48,753	53,588
Short-term loans payable	63,475	66,028
Income taxes payable	29,528	19,909
Provision for bonuses	2,969	3,603
Provision	—	1,247
Other	34,345	33,621
Total current liabilities	**179,071**	**177,998**
Non-current liabilities		
Long-term loans payable	7,106	3,197
Provision for directors' retirement benefits	794	779
Net defined benefit liability	1,421	1,190
Other	19,122	18,284
Total non-current liabilities	**28,445**	**23,451**
Total liabilities	**207,517**	**201,449**
[NET ASSETS]		
Shareholders' equity		
Capital stock	61,005	61,005
Capital surplus	72,677	72,726
Retained earnings	696,953	744,152
Treasury shares	(3,458)	(3,441)
Total shareholders' equity	**827,178**	**874,442**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,841	3,997
Foreign currency translation adjustment	81,697	61,276
Remeasurements of defined benefit plans	4,527	4,261
Total accumulated other comprehensive income	**92,066**	**69,534**
Non-controlling interests	**2,238**	**2,258**
Total net assets	**921,483**	**946,235**
Total liabilities and net assets	**1,129,001**	**1,147,684**

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

Consolidated Quarterly Statement of Income

(Millions of Yen)

	Second quarter ended September 30, 2014 From April 1, 2014 to September 30, 2014	Second quarter ended September 30, 2015 From April 1, 2015 to September 30, 2015
Net sales	**222,634**	**242,887**
Cost of sales	**113,857**	**119,984**
Gross profit	**108,777**	**122,902**
Selling, general and administrative expenses	**45,591**	**52,262**
Operating income	**63,185**	**70,640**
Non-operating income		
Interest income	2,634	2,801
Foreign exchange gains	6,281	767
Other	2,378	1,918
Total non-operating income	**11,294**	**5,486**
Non-operating expenses		
Interest expenses	165	147
Sales discounts	115	111
Other	56	60
Total non-operating expenses	**338**	**319**
Ordinary income	**74,141**	**75,807**
Extraordinary income		
Gain on sales of non-current assets	467	87
Gain on sales of investment securities	428	166
Other	4	1
Total extraordinary income	**899**	**255**
Extraordinary losses		
Loss on retirement of non-current assets	37	34
Other	10	9
Total extraordinary losses	**47**	**44**
Income before income taxes and minority interests	**74,993**	**76,018**
Income taxes	**22,068**	**22,032**
Profit	**52,925**	**53,986**
Profit attributable to non-controlling interests	**87**	**69**
Profit attributable to owners of parent	**52,837**	**53,916**

Consolidated Quarterly Statement of Comprehensive Income

(Millions of Yen)

	Second quarter ended September 30, 2014 From April 1, 2014 to September 30, 2014	Second quarter ended September 30, 2015 From April 1, 2015 to September 30, 2015
Profit	**52,925**	**53,986**
Other comprehensive income		
Valuation difference on available-for-sale securities	1,395	(1,869)
Foreign currency translation adjustment	22,375	(20,412)
Remeasurements of defined benefit plans, net of tax	(216)	(266)
Total other comprehensive income	**23,554**	**(22,548)**
Comprehensive income	**76,479**	**31,437**
(Breakdown)		
Comprehensive income attributable to owners of parent	76,380	31,384
Comprehensive income attributable to non-controlling interests	99	52

(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)

	2Q ended September 30, 2015							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1)Sales to external customers	76,136	40,824	38,611	81,861	5,453	242,887	—	242,887
(2)Intersegment sales	85,651	1,124	513	25,330	9	112,630	(112,630)	—
Total	161,788	41,948	39,124	107,192	5,463	355,517	(112,630)	242,887
Operating income (loss)	45,139	6,733	4,323	18,463	(86)	74,573	(3,933)	70,640

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

(Millions of Yen)

	2Q ended September 30, 2015		Year ending March 31, 2016 (Forecast)	
Capital expenditures	14,355	(8.7%)	40,000	39.5%
Depreciation	7,237	18.9%	15,500	17.8%
R&D expense	9,360	6.1%	18,900	7.3%

(Note) Previous forecasts of capital expenditures, depreciation and R&D expense announced on May 15, 2015, are revised in this quarterly financial statement.

(3) Foreign currency exchange rates

	2Q ended September 30, 2015		Year ending March 31, 2016 (Forecast)
	(average)	(at end)	(average)
U S $	¥ 121.88	¥ 119.97	¥ 120
E U R	¥ 135.10	¥ 134.94	¥ 134

(Note) Previous forecasts of foreign currency exchange rates announced on May 15, 2015, are revised in this quarterly financial statement.

(4) Full-time employees and temporary employees

(Number of personnel)

	2Q ended September 30, 2015	Increase (decrease) from last year end
Full-time employees (at end)	18,058	669
Temporary employees (average)	4,940	1