February 9, 2016

Consolidated Financial Highlights for the Third Quarter Ended December 31, 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 : February 9, 2016
Projected starting date of dividend payment : —

1. Consolidated Financial Highlights for the Third Quarter Ended December 31, 2015 (April 1, 2015 to December 31, 2015)

(1) Consolidated Operating Results

(Millions of Yen)

3rd Quarter Ended December 31	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
2015	¥ 359,266	5.9%	¥ 103,349	10.3%	¥ 109,758	(9.7%)	¥ 78,617	(7.1%)
2014	¥ 339,365	16.0%	¥ 93,708	19.1%	¥ 121,613	26.1%	¥ 84,649	25.9%

(Note) Comprehensive Income 3Q ended December 31,2015: ¥ 53,956 million (62.6%)
3Q ended December 31,2014: ¥ 144,160 million 22.4%

(Yen)

3rd Quarter Ended December 31	Net Income per share	Net Income per share(diluted basis)
2015	¥ 1,170.11	—
2014	¥ 1,258.21	—

(2) Consolidated Financial Positions

(Millions of Yen)

	Total Assets	Net Assets	Equity Ratio
December 31, 2015	¥ 1,149,679	¥ 962,090	83.5%
March 31, 2015	¥ 1,129,001	¥ 921,483	81.4%

(Note) Shareholders' equity As of December 31, 2015 : ¥ 959,799 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
2016 (Projected)	NA	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 : None

＊ Notes

(1) Changes in significant subsidiaries during the third quarter ended December 31, 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 December 31, 2015 :	67,369,359
As of March 31, 2015 :	67,369,359

2. Number of treasury shares

As of December 31, 2015 :	179,266
As of March 31, 2015 :	182,971

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

December 31, 2015 :	67,187,867
December 31, 2014 :	67,277,187

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 period up to the third quarter ended (from April 1, 2015 to December 31, 2015), while the stagnation of the emerging economies was growing because rapid Chinese economy slowdown and fall of the market price of natural resources, U.S. economy retained its expansion continuously with steady growth of personal consumption as well European economy maintained upward momentum. In Japan, even though personal consumption was not robust, economic recovery continued a mild upswing with background of improvement in corporate gains and employment.

Demand of automatic control equipments marked steady growing, mainly automobile industries in the North America and Europe regions.

Under these circumstances, SMC group developed sales capability and expand its production bases in Japan and overseas.

As a result, consolidated net sales for the third quarter were 359,266 million yen (increased 5.9% from the previous corresponding period). Mainly because revenue growth and beneficial effect of the weakened yen, operating income was 103,349 million yen (10.3% increase). However, ordinary income was 109,758 million yen (9.7% decrease) and profit attributable to owners of parent was 78,617 million yen (7.1% decrease), mainly because 175 million yen foreign exchange losses occurred (18,809 million yen foreign exchange gains recorded in the previous corresponding period).

ROE became 8.4%, declined by 1.6 points from the previous corresponding period.

(2) Description of Financial Positions

Total assets as of the end of the third quarter were 1,149,679 million yen, which was an increase of 20,677 million yen (1.8%) from the previous fiscal year end. The main factors of that were 12,294 million yen increase in cash and deposits and 4,618 million yen increase in insurance funds, while 3,462 million yen decrease in inventory and 1,658 million yen decrease in notes and accounts receivable - trade.

Total liabilities were 187,588 million yen, which was a decrease of 19,929 million yen (9.6%) from the previous fiscal year end. The main factor were 19,459 million yen decrease in income tax payable as a result of paying taxes and 7,537 million yen decrease in short-term loans payable by repayment, despite 12,711 million yen increase in notes and accounts payable-trade.

Net assets increased 40,607 million yen (4.4%) to 962,090 million yen, mainly due to 65,180 million yen increase in retained earnings, despite 23,826 million yen decrease in foreign currency translation adjustment from the previous fiscal year end.

Equity ratio became 83.5%.

(3) Consolidated Forecasts and Other Forward-Looking Information

Full-year consolidated forecasts for the year ending March 31, 2016 that was announced on November 9, 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 third 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 third 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 third 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	Third quarter end -Current year As of December 31, 2015
[ASSETS]		
Current assets		
Cash and deposits	453,178	465,473
Notes and accounts receivable-trade	120,956	119,298
Merchandise and finished goods	90,044	85,566
Work in process	16,396	16,618
Raw materials and supplies	88,132	88,925
Other	34,837	36,948
Allowance for doubtful accounts	(1,288)	(839)
Total current assets	**802,257**	**811,991**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,405	59,277
Machinery, equipment and vehicles, net	31,288	32,708
Land	32,824	32,637
Other, net	22,342	25,537
Total property, plant and equipment	**146,861**	**150,161**
Intangible assets	4,884	4,694
Investments and other assets		
Investment securities	48,294	48,032
Insurance funds	115,579	120,198
Other	12,262	16,660
Allowance for doubtful accounts	(1,139)	(2,059)
Total investments and other assets	**174,997**	**182,831**
Total non-current assets	**326,743**	**337,687**
Total assets	**1,129,001**	**1,149,679**

(Millions of Yen)

	Year end -Previous year As of March 31, 2015	Third quarter end -Current year As of December 31, 2015
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	48,753	61,465
Short-term loans payable	63,475	55,938
Income taxes payable	29,528	10,069
Provision for bonuses	2,969	8,225
Provision	—	1,882
Other	34,345	26,457
Total current liabilities	**179,071**	**164,038**
Non-current liabilities		
Long-term loans payable	7,106	2,897
Provision for directors' retirement benefits	794	794
Net defined benefit liability	1,421	1,046
Other	19,122	18,812
Total non-current liabilities	**28,445**	**23,550**
Total liabilities	**207,517**	**187,588**
[NET ASSETS]		
Shareholders' equity		
Capital stock	61,005	61,005
Capital surplus	72,677	72,761
Retained earnings	696,953	762,134
Treasury shares	(3,458)	(3,421)
Total shareholders' equity	**827,178**	**892,479**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,841	5,327
Foreign currency translation adjustment	81,697	57,870
Remeasurements of defined benefit plans	4,527	4,122
Total accumulated other comprehensive income	**92,066**	**67,320**
Non-controlling interests	**2,238**	**2,290**
Total net assets	**921,483**	**962,090**
Total liabilities and net assets	**1,129,001**	**1,149,679**

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

Consolidated Quarterly Statement of Income

(Millions of Yen)

	Third quarter ended December 31, 2014 From April 1, 2014 to December 31, 2014	Third quarter ended December 31, 2015 From April 1, 2015 to December 31, 2015
Net sales	**339,365**	**359,266**
Cost of sales	**175,305**	**178,002**
Gross profit	**164,059**	**181,263**
Selling, general and administrative expenses	**70,350**	**77,913**
Operating income	**93,708**	**103,349**
Non-operating income		
Interest income	4,474	4,497
Foreign exchange gains	18,809	―
Other	5,118	2,530
Total non-operating income	**28,402**	**7,028**
Non-operating expenses		
Interest expenses	239	214
Sales discounts	175	173
Foreign exchange losses	―	175
Other	81	55
Total non-operating expenses	**497**	**618**
Ordinary income	**121,613**	**109,758**
Extraordinary income		
Gain on sales of non-current assets	504	133
Gain on sales of investment securities	428	166
Other	4	1
Total extraordinary income	**937**	**301**
Extraordinary losses		
Loss on retirement of non-current assets	72	57
Loss on sales of investment securities	―	31
Loss on valuation of investment securities	398	―
Other	16	7
Total extraordinary losses	**487**	**96**
Income before income taxes and minority interests	**122,063**	**109,963**
Income taxes	**37,277**	**31,266**
Profit	**84,785**	**78,696**
Profit attributable to non-controlling interests	**136**	**79**
Profit attributable to owners of parent	**84,649**	**78,617**

Consolidated Quarterly Statement of Comprehensive Income

(Millions of Yen)

	Third quarter ended December 31, 2014 From April 1, 2014 to December 31, 2014	Third quarter ended December 31, 2015 From April 1, 2015 to December 31, 2015
Profit	**84,785**	**78,696**
Other comprehensive income		
Valuation difference on available-for-sale securities	2,481	(510)
Foreign currency translation adjustment	57,218	(23,824)
Remeasurements of defined benefit plans, net of tax	(325)	(405)
Total other comprehensive income	**59,374**	**(24,740)**
Comprehensive income	**144,160**	**53,956**
(Breakdown)		
Comprehensive income attributable to owners of parent	143,992	53,872
Comprehensive income attributable to non-controlling interests	167	84

(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)

	3Q ended December 31, 2015							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1)Sales to external customers	115,060	58,971	57,545	119,852	7,837	359,266	—	359,266
(2)Intersegment sales	127,749	1,654	848	37,194	15	167,463	(167,463)	—
Total	242,809	60,625	58,394	157,046	7,853	526,729	(167,463)	359,266
Operating income (loss)	67,614	9,415	5,845	25,964	(235)	108,604	(5,254)	103,349

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

(Millions of Yen)

	3Q ended December 31, 2015		Year ending March 31, 2016 (Forecast)	
Capital expenditures	18,613	(19.5%)	40,000	39.5%
Depreciation	10,700	13.6%	15,500	17.8%
R&D expense	13,890	6.0%	18,900	7.3%

(3) Full-time employees and temporary employees

(Number of personnel)

	3Q ended December 31, 2015	Increase (decrease) from last year end
Full-time employees (at end)	18,250	86
Temporary employees (average)	4,968	29