June 24, 2016

Notice on mutual agreement between the tax authorities of Japan and Korea regarding the corrections based on the transfer pricing rules

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
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SMC Corporation (herein after "the Company") received a notice dated June 23rd, 2016 from the National Tax Agency, stating that the mutual agreement has been reached between the tax authorities of Japan and Korea regarding the application of transfer pricing rules to transactions between the Company and SMC Pneumatics Korea Co., Ltd. (the Company's consolidated subsidiary, herein after "SMC Korea").

The Company paid about 6.6 billion yen of additional tax in accordance with the correction of corporate income tax issued by the Tokyo Regional Taxation Bureau on May 31st, 2011, regarding the transactions with SMC Korea for the four fiscal years from the one ended in March 2005 to the one ended in March 2008.
SMC Korea paid about 1.6 billion yen of additional tax in accordance with the correction of corporate income tax issued by the tax authorities of Korea on January 9th, 2012, regarding the transactions with the Company for the three fiscal years from the one ended in March 2009 to the one ended in March 2011.
In order to avoid the double taxation, the Company and SMC Korea applied for mutual agreement procedure in accordance with the Tax Treaty between Japan and Korea, and the tax authorities of both countries were proceeding with discussion.

The Company is in the course of thoroughly reviewing the impact of the refunded corporate tax on the consolidated results for the fiscal year ending in March 2017, and expects an increase of 8 billion yen in the amount of the current fiscal year's "profit attributable to owners of parent".

This event had not been taken into consideration in the projection of consolidated results for the second quarter and for the whole period of the fiscal year ending in March 2017 that was published as of May 13, 2016.
If any amendment about the projection of these results becomes necessary based on the future development of results, disclosure will be immediately made.