

## Consolidated Financial Highlights for the First Quarter Ended June 30, 2014 [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 8, 2014  
 Projected starting date of dividend payment : —

### 1. Consolidated Financial Highlights for the First Quarter Ended June 30, 2014 (April 1, 2014 to June 30, 2014)

#### (1) Consolidated Operating Results

(Millions of Yen)

1st Quarter Ended June 30	Net Sales	Operating Income	Ordinary Income	Net Income
2014	¥ 111,317 15.0%	¥ 33,650 22.1%	¥ 34,022 (0.8%)	¥ 24,604 0.4%
2013	¥ 96,772 13.3%	¥ 27,550 8.8%	¥ 34,291 45.0%	¥ 24,499 46.1%

(Note) Comprehensive Income 1Q ended June 30, 2014: ¥ 21,605 million (44.2%)  
 1Q ended June 30, 2013: ¥ 38,729 million — %

(Yen)

1st Quarter Ended June 30	Net Income per share	Net Income per share(diluted basis)
2014	¥ 364.70	—
2013	¥ 358.53	—

#### (2) Consolidated Financial Positions

(Millions of Yen)

	Total Assets	Net Assets	Equity Ratio
June 30, 2014	¥ 972,035	¥ 791,228	81.2%
March 31, 2014	¥ 966,875	¥ 785,521	81.0%

(Note) Shareholders' equity As of June 30, 2014 : ¥ 789,200 million  
 As of March 31, 2014 : ¥ 783,490 million

### 2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2014 (Actual)	—	80.00	—	90.00	170.00
2015 (Actual)	—	NA	NA	NA	NA
2015 (Projected)	NA	90.00	—	90.00	180.00

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

### 3. Forecasts of operating results for the year ending March 31, 2015

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per share
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Yen)
Half year ending September 30, 2014	¥210,000 8.3%	¥55,000 5.8%	¥57,500 (5.3%)	¥41,000 (4.4%)	¥607.02
Year ending March 31, 2015	¥420,000 6.2%	¥110,000 4.6%	¥115,000 (5.0%)	¥82,000 (5.0%)	¥1,214.04

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

#### \* Notes

- (1) Changes in significant subsidiaries during the first quarter ended June 30, 2014: 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, 2014 :	68,869,359
As of March 31, 2014 :	68,869,359
  2. Number of treasury shares
 

As of June 30, 2014 :	1,686,950
As of March 31, 2014 :	1,326,301
  3. Average number of common shares for the three months ended
 

June 30, 2014 :	67,464,846
June 30, 2013 :	68,331,646

#### 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, 2014 to June 30, 2014), the U.S. economy continued to recover at a slow pace, European economy picked up, and Chinese economy, which was pointed out that there had been a tendency of the sluggish, was solid. As mentioned, overseas economies has followed a recovery track while moderate overall.

Japanese economy also continued to recover, on the back of rising stock prices and stabilizing foreign exchange rates.

In the automatic control equipment business, there was continuously strong demand related to automobile industries, semiconductor manufacturing equipment and machine tools, mainly in the North America and Asian regions.

Under these circumstances, SMC group strengthened its sales capabilities and made the sales expansion activities to gain the potential demands. SMC group also focused on reducing production costs and made capital investments to secure production capacity continuously.

As a result, consolidated net sales for the first quarter were 111,317 million yen (increased 15.0% from the previous corresponding period), and operating income was 33,650 million yen (22.1% increase), mainly because profits were boosted by the weakened yen. But mainly because of account for 2,076 million yen foreign exchange loss (at the previous corresponding period, foreign exchange gains of 4,708 million yen), ordinary income was 34,022 million yen (0.8% decrease) and net income was 24,604 million yen (0.4% increase).

## (2) Description of Financial Positions

Total assets as of the end of the first quarter were 972,035 million yen, which was an increase of 5,159 million yen (0.5%) from the previous fiscal year end. The main factors of that were 7,116 million yen increase in trade receivables, 2,946 million yen increase in property, plant and equipment, 1,639 million yen increase in investment securities, and 1,083 million yen increase in inventories even in the 7,074 million yen decrease in cash and deposits.

Total liabilities decreased 547 million yen (0.3%) to 180,807 million yen due to 1,725 million yen decrease in long-term loans payable, and 8,092 million yen decrease in income tax payable.

Net assets increased 5,706 million yen (0.7%) to 791,228 million yen, due to 9,999 million yen increase in treasury shares (minus account) related to the acquisition of own shares from the stock market, and 18,713 million yen increase in retained earnings. Equity ratio became 81.2%.

## (3) Consolidated Forecasts and Other Forward-Looking Information

SMC Corporation has not revised its full-year consolidated forecasts for the year ending March 31, 2015 announced on May 15, 2014.

# 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.

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

[Change of accounting policy]

SMC Corporation has adopted “the Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, May 17, 2012) and “the Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 May 17, 2012) in accordance with the stipulations of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits, from the first quarter of the current fiscal year.

The period allocation methodology for the estimated retirement benefit amount was changed from a straight line basis to payment calculation type, and the period for securities that serves as the basis for the determination method of discount rate was changed from one decided based on an approximation of the average number of remaining years in an employees’ service period to one which uses a single weighted average discount rate reflecting the expected payment period of retirement benefits and the amounts paid each expected payment period.

In accordance with transitional treatment as stipulated in Article 37 of the Accounting Standard for Retirement Benefits for the application of accounting standards for retirement benefits, the impact on retirement earnings resulting from the change has been recorded in Changes in accounting policy for retirement benefit obligations and service cost at the beginning of the period.

As a result, at the beginning of the current period net defined benefit liability decreased by 291 million yen and net defined benefit assets and retained earnings increased by 188 million yen respectively.

The effect on operating income, ordinary income and income before income taxes and minority interests was immaterial.

### 3. Consolidated Quarterly Financial Statements

#### (1) Consolidated Quarterly Balance Sheet

(Millions of Yen)

	Year end -Previous year As of March 31, 2014	First quarter end -Current year As of June 30, 2014
<b>[ASSETS]</b>		
<b>Current assets</b>		
Cash and deposits	349,354	342,280
Notes and accounts receivable-trade	102,446	109,562
Merchandise and finished goods	88,886	89,725
Work in process	15,585	15,322
Raw materials and supplies	89,783	90,290
Other	31,743	32,489
Allowance for doubtful accounts	(781)	(837)
<b>Total current assets</b>	<b>677,018</b>	<b>678,834</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	53,196	54,678
Machinery, equipment and vehicles, net	26,751	26,026
Land	29,388	29,518
Other, net	16,501	18,562
<b>Total property, plant and equipment</b>	<b>125,837</b>	<b>128,784</b>
<b>Intangible assets</b>	4,141	4,090
<b>Investments and other assets</b>		
Investment securities	41,018	42,658
Insurance funds	109,366	110,124
Other	10,622	8,679
Allowance for doubtful accounts	(1,129)	(1,135)
<b>Total investments and other assets</b>	<b>159,877</b>	<b>160,325</b>
<b>Total non-current assets</b>	<b>289,857</b>	<b>293,201</b>
<b>Total assets</b>	<b>966,875</b>	<b>972,035</b>

(Millions of Yen)

	<b>Year end -Previous year</b> As of March 31, 2014	<b>First quarter end -Current year</b> As of June 30, 2014
<b>[LIABILITIES]</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	48,687	51,562
Short-term loans payable	52,993	53,388
Income tax payable	20,251	12,158
Provision for bonuses	1,850	5,914
Provision	—	755
Other	29,724	30,534
<b>Total current liabilities</b>	<b>153,508</b>	<b>154,314</b>
<b>Non-current liabilities</b>		
Long-term loans payable	8,302	6,577
Provision for directors' retirement benefits	739	753
Net defined benefit liability	5,028	4,545
Other	13,775	14,617
<b>Total non-current liabilities</b>	<b>27,845</b>	<b>26,493</b>
<b>Total liabilities</b>	<b>181,354</b>	<b>180,807</b>
<b>[NET ASSETS]</b>		
<b>Shareholders' equity</b>		
Capital stock	61,005	61,005
Capital surplus	72,677	72,684
Retained earnings	629,616	648,330
Treasury shares	(23,892)	(33,891)
<b>Total shareholders' equity</b>	<b>739,407</b>	<b>748,129</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,813	2,626
Foreign currency translation adjustment	39,282	35,565
Remeasurements of defined benefit plans	2,988	2,879
<b>Total accumulated other comprehensive income</b>	<b>44,083</b>	<b>41,071</b>
<b>Minority interests</b>	<b>2,030</b>	<b>2,028</b>
<b>Total net assets</b>	<b>785,521</b>	<b>791,228</b>
<b>Total liabilities and net assets</b>	<b>966,875</b>	<b>972,035</b>

## (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, 2013 From April 1, 2013 to June 30, 2013	First quarter ended June 30, 2014 From April 1, 2014 to June 30, 2014
<b>Net sales</b>	<b>96,772</b>	<b>111,317</b>
<b>Cost of sales</b>	<b>49,152</b>	<b>55,043</b>
<b>Gross profit</b>	<b>47,619</b>	<b>56,273</b>
<b>Selling, general and administrative expenses</b>	<b>20,069</b>	<b>22,623</b>
<b>Operating income</b>	<b>27,550</b>	<b>33,650</b>
<b>Non-operating income</b>		
Interest income	1,272	1,624
Foreign exchange gains	4,708	—
Other	940	998
<b>Total non-operating income</b>	<b>6,922</b>	<b>2,623</b>
<b>Non-operating expenses</b>		
Interest expenses	74	84
Sales discounts	45	57
Foreign exchange losses	—	2,076
Other	60	32
<b>Total non-operating expenses</b>	<b>180</b>	<b>2,251</b>
<b>Ordinary income</b>	<b>34,291</b>	<b>34,022</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	14	20
Gain on sales of investment securities	—	397
Gain on bargain purchase	40	—
Other	1	4
<b>Total extraordinary income</b>	<b>55</b>	<b>422</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	26	24
Other	1	3
<b>Total extraordinary losses</b>	<b>27</b>	<b>28</b>
<b>Income before income taxes and minority interests</b>	<b>34,319</b>	<b>34,415</b>
<b>Income taxes</b>	<b>9,804</b>	<b>9,797</b>
<b>Income before minority interests</b>	<b>24,514</b>	<b>24,617</b>
<b>Minority interests in income</b>	<b>15</b>	<b>12</b>
<b>Net income</b>	<b>24,449</b>	<b>24,604</b>

## Consolidated Quarterly Statement of Comprehensive Income

(Millions of Yen)

	<b>First quarter ended June 30, 2013</b> From April 1, 2013 to June 30, 2013	<b>First quarter ended June 30, 2014</b> From April 1, 2014 to June 30, 2014
<b>Income before minority interests</b>	<b>24,514</b>	<b>24,617</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	709	819
Foreign currency translation adjustment	13,505	(3,722)
Remeasurements of defined benefit plans	—	(108)
<b>Total other comprehensive income</b>	<b>14,215</b>	<b>(3,011)</b>
<b>Comprehensive income</b>	<b>38,729</b>	<b>21,605</b>
(Breakdown)		
Comprehensive income attributable to owners of parent	38,695	21,592
Comprehensive income attributable to minority interests	33	13

### (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, 2014							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1) Sales to external customers	35,984	16,427	18,810	36,908	3,187	111,317	—	111,317
(2) Intersegment sales	40,635	309	347	9,248	11	50,552	(50,552)	—
Total	76,620	16,736	19,158	46,156	3,198	161,870	(50,552)	111,317
Operating income	18,848	3,155	2,477	8,711	262	33,455	194	33,650

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

(Millions of Yen)

	1Q ended June 30, 2014		Year ending March 31, 2015 (Forecast)	
Capital expenditures	6,892	14.9%	26,000	15.2%
Depreciation	3,040	2.3%	13,500	11.2%
R&D expense	4,463	10.5%	15,800	1.6%

### (3) Full-time employees and temporary employees

(Number of personnel)

	1Q ended June 30, 2014	increase from last year end
Full-time employees (at end)	16,473	463
Temporary employees (average)	5,020	317