

August 8, 2017

## Consolidated Financial Highlights for the First Quarter Ended June 30, 2017 [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, Director and Senior Managing Executive Officer**  
 Projected date of filing quarterly report : **August 8, 2017**  
 Projected starting date of dividend payment : **—**

### 1. Consolidated Financial Highlights for the First Quarter Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

#### (1) Consolidated Operating Results

(Millions of yen)

| 1st Quarter ended June 30 | Net sales      | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|---------------------------|----------------|------------------|-----------------|---|
| 2017                      | 146,687 24.6%  | 46,320 27.1%     | 49,884 105.6%   | 36,191 45.6%                            |
| 2016                      | 117,717 (5.5%) | 36,445 (3.5%)    | 24,264 (44.6%)  | 24,851 (19.0%)                          |

(Note) Comprehensive Income 1Q ended June 30, 2017 : ¥ 46,421 million —%  
 1Q ended June 30, 2016 : ¥ (31,463) million —%

(Yen)

| 1st Quarter ended June 30 | Net income per share | Net income per share (diluted basis) |
|---------------------------|----------------------|--------------------------------------|
| 2017                      | 538.58               | —                                    |
| 2016                      | 369.86               | —                                    |

#### (2) Consolidated Financial Positions

(Millions of yen)

|                | Total assets | Net assets | Equity ratio |
|----------------|--------------|------------|--------------|
| June 30, 2017  | 1,238,334    | 1,063,359  | 85.6%        |
| March 31, 2017 | 1,192,444    | 1,030,369  | 86.2%        |

(Note) Shareholders' equity As of June 30, 2017 : ¥ 1,060,516 million  
 As of March 31, 2017 : ¥ 1,027,607 million

### 2. Dividends

(Yen)

| For the year ended March 31 | Dividend per share |        |    |              |        |
|-----------------------------|--------------------|--------|----|--------------|--------|
|                             | 1Q                 | 2Q     | 3Q | 4Q           | Total  |
| 2017 (Actual)               | —                  | 100.00 | —  | 200.00       | 300.00 |
| 2018 (Actual)               | —                  | NA     | NA | NA           | NA     |
| 2018 (Projected)            | NA                 | 200.00 | —  | Undetermined |        |

(Notes) Revision of dividends forecast during this period : None  
 Breakdown of the dividend per share 2017 4Q (Actual) Ordinary dividend:¥100.00 Special dividend:¥100.00  
 2018 2Q (Projected) Ordinary dividend:¥100.00 Special dividend:¥100.00

### 3. Forecasts of Consolidated Operating Results for the Year Ending March 31, 2018

(Millions of yen, except per share figures)

|  | Net sales     | Operating profit | Ordinary profit | Profit attributable to owners of parent | Net income per share (Yen) |
|--|---------------|------------------|-----------------|---|----------------------------|
| <b>Half year ending September 30, 2017</b> | 260,000 13.1% | 75,000 10.6%     | 77,500 43.1%    | 58,000 26.5%                            | 863.13                     |
| <b>Year ending March 31, 2018</b>          | 510,000 4.6%  | 145,000 2.8%     | 150,000 1.2%    | 112,000 (1.0%)                          | 1,666.74                   |

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

#### \* Notes

- (1) Changes in significant subsidiaries during the first quarter ended June 30, 2017: 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: None
  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, 2017 :  | 67,369,359 |
| As of March 31, 2017 : | 67,369,359 |

##### 2. Number of treasury shares

|                        |         |
|------------------------|---------|
| As of June 30, 2017 :  | 171,960 |
| As of March 31, 2017 : | 172,660 |

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

|                 |            |
|-----------------|------------|
| June 30, 2017 : | 67,196,908 |
| June 30, 2016 : | 67,191,344 |

**These consolidated quarterly financial highlights are not subject to quarterly review procedures by the independent accounting auditor.**

#### **Explanation of appropriate use of financial forecasts; other special items**

Forecasts are based on information and certain premises that we consider to be reasonable at the time we released these consolidated quarterly financial highlights.

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 first quarter ended (from April 1, 2017 to June 30, 2017), net sales were 146,687 million yen (increased 24.6% from the previous corresponding period) due to the strong demands for automatic control equipment. This is due to that semi-conductor and smartphone related industries remained strong in Japan, Asia and North America. Operating profit was 46,320 million yen (27.1% increased), and ordinary profit was 49,884 million yen (105.6% increased) because non-operating profit and loss improved 15,746 million yen from the previous corresponding period mainly due to recorded 585 million yen foreign exchange gains (15,252 million yen foreign exchange losses recorded in the previous corresponding period). As a result, profit before income taxes was 49,950 million yen (106.1% increased). Profit attributable to owners of parent was 36,191 million yen (45.6% increased) despite there was no income taxes for prior periods recorded in this quarter (6,898 million yen income taxes for prior periods recorded in the previous corresponding period).

ROE became 3.5%, gained by 0.7 points from the previous corresponding period.

### **(2) Description of Financial Positions**

Total assets as of the end of the first quarter were 1,238,334 million yen, which was an increase of 45,889 million yen (3.8%) from the previous fiscal year end. The main factors were 23,478 million yen increase in cash and deposits, 12,751 million yen increase in notes and accounts receivable-trade.

Total liabilities were 174,975 million yen, which was an increase of 12,899 million yen (8.0%) from the previous fiscal year end. The main factor was 10,003 million yen increase in notes and accounts payable-trade.

Net assets were 1,063,359 million yen, which was an increase of 32,989 million yen (3.2%) from the previous fiscal year end. The main factors were 22,751 million yen increase in retained earnings and 7,880 million yen increase in foreign currency translation adjustment.

Equity ratio became 85.6%.

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

Forecasts of consolidated operating results for the year ending March 31, 2018 that were announced on May 12, 2017 have been unchanged.

## 2. Consolidated Quarterly Financial Statements

### (1) Consolidated Quarterly Balance Sheet

(Millions of yen)

|  | Year end<br>-Previous year<br>As of March 31, 2017 | First quarter end<br>-Current year<br>As of June 30, 2017 |
|--|--|---|
| <b>[ASSETS]</b>                            |  |   |
| <b>Current assets</b>                      |  |   |
| Cash and deposits                          | 459,874  | 483,353   |
| Notes and accounts receivable-trade        | 141,057  | 153,809   |
| Securities                                 | 22,401   | 22,358  |
| Merchandise and finished goods             | 79,909   | 81,831  |
| Work in process                            | 15,001   | 15,402  |
| Raw materials and supplies                 | 84,274   | 86,113  |
| Other                                      | 34,228   | 36,631  |
| Allowance for doubtful accounts            | (818)  | (814)   |
| <b>Total current assets</b>                | <b>835,928</b>                                     | <b>878,685</b>  |
| <b>Non-current assets</b>                  |  |   |
| <b>Property, plant and equipment</b>       |  |   |
| Buildings and structures, net              | 74,603   | 74,864  |
| Machinery, equipment and vehicles, net     | 28,332   | 28,671  |
| Land                                       | 32,705   | 33,782  |
| Other, net                                 | 13,611   | 14,031  |
| <b>Total property, plant and equipment</b> | <b>149,252</b>                                     | <b>151,350</b>  |
| <b>Intangible assets</b>                   | <b>11,060</b>                                      | <b>10,970</b>   |
| <b>Investments and other assets</b>        |  |   |
| Investment securities                      | 54,187   | 58,111  |
| Insurance funds                            | 122,966  | 123,361   |
| Other                                      | 20,857   | 17,736  |
| Allowance for doubtful accounts            | (1,808)  | (1,880)   |
| <b>Total investments and other assets</b>  | <b>196,203</b>                                     | <b>197,328</b>  |
| <b>Total non-current assets</b>            | <b>356,516</b>                                     | <b>359,649</b>  |
| <b>Total assets</b>                        | <b>1,192,444</b>                                   | <b>1,238,334</b>  |

(Millions of yen)

|   | <b>Year end<br/>-Previous year<br/>As of March 31, 2017</b> | <b>First quarter end<br/>-Current year<br/>As of June 30, 2017</b> |
|---|---|--|
| <b>[LIABILITIES]</b>                                  |   |  |
| <b>Current liabilities</b>                            |   |  |
| Notes and accounts payable-trade                      | 60,648  | 70,651   |
| Short-term loans payable                              | 11,735  | 11,645   |
| Income taxes payable                                  | 20,066  | 16,365   |
| Provision for bonuses                                 | 2,812   | 6,433  |
| Provision   | —   | 857  |
| Other   | 34,177  | 35,376   |
| <b>Total current liabilities</b>                      | <b>129,439</b>  | <b>141,328</b>   |
| <b>Non-current liabilities</b>                        |   |  |
| Long-term loans payable                               | 5,338   | 4,893  |
| Provision for directors' retirement benefits          | 869   | 879  |
| Net defined benefit liability                         | 8,427   | 8,285  |
| Other   | 18,001  | 19,589   |
| <b>Total non-current liabilities</b>                  | <b>32,635</b>   | <b>33,647</b>  |
| <b>Total liabilities</b>                              | <b>162,075</b>  | <b>174,975</b>   |
| <b>[NET ASSETS]</b>                                   |   |  |
| <b>Shareholders' equity</b>                           |   |  |
| Capital stock   | 61,005  | 61,005   |
| Capital surplus                                       | 72,871  | 72,885   |
| Retained earnings                                     | 875,230   | 897,982  |
| Treasury shares                                       | (3,348)   | (3,339)  |
| <b>Total shareholders' equity</b>                     | <b>1,005,758</b>  | <b>1,028,534</b>   |
| <b>Accumulated other comprehensive income</b>         |   |  |
| Valuation difference on available-for-sale securities | 8,864   | 11,079   |
| Foreign currency translation adjustment               | 14,459  | 22,339   |
| Remeasurements of defined benefit plans               | (1,475)   | (1,437)  |
| <b>Total accumulated other comprehensive income</b>   | <b>21,848</b>   | <b>31,982</b>  |
| <b>Non-controlling interests</b>                      | <b>2,761</b>  | <b>2,842</b>   |
| <b>Total net assets</b>                               | <b>1,030,369</b>  | <b>1,063,359</b>   |
| <b>Total liabilities and net assets</b>               | <b>1,192,444</b>  | <b>1,238,334</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<br>June 30, 2016<br>From April 1, 2016<br>to June 30, 2016 | First quarter ended<br>June 30, 2017<br>From April 1, 2017<br>to June 30, 2017 |
|---|--|--|
| <b>Net sales</b>  | <b>117,717</b>   | <b>146,687</b>   |
| <b>Cost of sales</b>                                    | <b>56,374</b>  | <b>72,691</b>  |
| <b>Gross profit</b>                                     | <b>61,342</b>  | <b>73,996</b>  |
| <b>Selling, general and administrative expenses</b>     | <b>24,897</b>  | <b>27,676</b>  |
| <b>Operating profit</b>                                 | <b>36,445</b>  | <b>46,320</b>  |
| <b>Non-operating income</b>                             |  |  |
| Interest income   | 1,720  | 1,940  |
| Foreign exchange gains                                  | —  | 585  |
| Other   | 1,488  | 1,135  |
| <b>Total non-operating income</b>                       | <b>3,208</b>   | <b>3,661</b>   |
| <b>Non-operating expenses</b>                           |  |  |
| Interest expenses                                       | 45   | 27   |
| Sales discounts   | 61   | 58   |
| Foreign exchange losses                                 | 15,252   | —  |
| Other   | 30   | 10   |
| <b>Total non-operating expenses</b>                     | <b>15,390</b>  | <b>96</b>  |
| <b>Ordinary profit</b>                                  | <b>24,264</b>  | <b>49,884</b>  |
| <b>Extraordinary income</b>                             |  |  |
| Gain on sales of non-current assets                     | 20   | 70   |
| Gain on sales of investment securities                  | 11   | —  |
| Other   | 1  | 3  |
| <b>Total extraordinary income</b>                       | <b>33</b>  | <b>73</b>  |
| <b>Extraordinary losses</b>                             |  |  |
| Loss on retirement of non-current assets                | 30   | 6  |
| Loss on sales of investment securities                  | 18   | —  |
| Other   | 8  | 1  |
| <b>Total extraordinary losses</b>                       | <b>57</b>  | <b>7</b>   |
| <b>Profit before income taxes</b>                       | <b>24,240</b>  | <b>49,950</b>  |
| <b>Income taxes</b>                                     | <b>6,281</b>   | <b>13,690</b>  |
| <b>Income taxes for prior periods</b>                   | <b>(6,898)</b>   | <b>—</b>   |
| <b>Profit</b>   | <b>24,857</b>  | <b>36,259</b>  |
| <b>Profit attributable to non-controlling interests</b> | <b>5</b>   | <b>68</b>  |
| <b>Profit attributable to owners of parent</b>          | <b>24,851</b>  | <b>36,191</b>  |

## Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

|  | First quarter ended<br>June 30, 2016<br>From April 1, 2016<br>to June 30, 2016 | First quarter ended<br>June 30, 2017<br>From April 1, 2017<br>to June 30, 2017 |
|--|--|--|
| <b>Profit</b>  | <b>24,857</b>  | <b>36,259</b>  |
| <b>Other comprehensive income</b>                              |  |  |
| Valuation difference on available-for-sale securities          | 237  | 2,225  |
| Foreign currency translation adjustment                        | (56,601)   | 7,897  |
| Remeasurements of defined benefit plans, net of tax            | 43   | 38   |
| <b>Total other comprehensive income</b>                        | <b>(56,320)</b>  | <b>10,161</b>  |
| <b>Comprehensive income</b>                                    | <b>(31,463)</b>  | <b>46,421</b>  |
| Comprehensive income attributable to:                          |  |  |
| Comprehensive income attributable to owners of parent          | (31,443)   | 46,324   |
| Comprehensive income attributable to non-controlling interests | (19)   | 97   |

### **(3) Notes to Consolidated Quarterly Financial Statements**

**Notes on going-concern assumption**

**N/A**

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

**N/A**

**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 profit before income taxes of the fiscal year including this first quarter was reasonably estimated.

And income tax was calculated by multiplying the profit 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.



## Supplementary Information

### (1) Geographic segment information

(Millions of yen)

|                                 | 1Q ended June 30, 2017 |               |        |        |       |         |                           |              |
|---------------------------------|------------------------|---------------|--------|--------|-------|---------|---------------------------|--------------|
|                                 | Japan                  | North America | Europe | Asia   | Other | Total   | Intersegment Eliminations | Consolidated |
| Net sales                       |                        |               |        |        |       |         |                           |              |
| (1) Sales to external customers | 45,072                 | 22,562        | 20,518 | 55,820 | 2,713 | 146,687 | —                         | 146,687      |
| (2) Intersegment sales          | 59,997                 | 1,274         | 375    | 13,873 | 1     | 75,522  | (75,522)                  | —            |
| Total                           | 105,069                | 23,836        | 20,893 | 69,694 | 2,715 | 222,209 | (75,522)                  | 146,687      |
| Operating income (loss)         | 30,689                 | 4,818         | 2,073  | 12,570 | 226   | 50,379  | (4,059)                   | 46,320       |

### (2) Consolidated capital expenditures, depreciation and R&D expense

(Millions of yen)

|                      | 1Q ended June 30, 2017 |       | Year ending March 31, 2018<br>(Forecast) |       |
|----------------------|------------------------|-------|--|-------|
|                      |                        |       |  |       |
| Capital expenditures | 4,216                  | 38.3% | 35,500                                   | 63.9% |
| Depreciation         | 3,544                  | 2.0%  | 15,300                                   | 7.4%  |
| R&D expense          | 4,926                  | 1.9%  | 20,000                                   | 4.6%  |

### (3) Consolidated full-time employees and temporary employees

(Number of personnel)

|                               | 1Q ended June 30, 2017 | Increase from last year end |
|-------------------------------|------------------------|-----------------------------|
| Full-time employees (at end)  | 19,490                 | 299                         |
| Temporary employees (average) | 5,626                  | 487                         |