



Consolidated Financial Highlights for the Third Quarter Ended December 31, 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 :	February 7, 2018
Projected starting date of dividend payment :	—

(1) Consolidated Operating Results

3rd Quarter ended December 31	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2017	439,026 25.1%	143,894 43.1%	157,359 40.1%	113,991 28.9%
2016	351,001 (2.3%)	100,576 (2.7%)	112,332 2.3%	88,405 12.4%

(Yen)

3rd Quarter ended December 31	Net income per share	Net income per share (diluted basis)
2017	1,696.00	—
2016	1,315.68	—

(Millions of yen)

	Total assets	Net assets	Equity ratio
December 31, 2017	1,357,751	1,157,388	85.0%
March 31, 2017	1,192,444	1,030,369	86.2%

(Note)	Shareholders' equity	As of December 31, 2017 :	¥ 1,154,297 million
		As of March 31, 2017 :	¥ 1,027,607 million

(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)	—	200.00	—	NA	NA
2018 (Projected)	NA	NA	NA	Undetermined	

(Notes)	Revision of dividends forecast from the latest announcement : None		
	Breakdown of the dividend per share	2017 4Q (Actual) Ordinary dividend: ¥100.00	Special dividend: ¥100.00
		2018 2Q (Actual) 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)
Year ending March 31, 2018	550,000 12.8%	170,000 20.5%	180,000 21.4%	130,000 14.9%	1,934.31

(Note) Revision of forecasts of operating results from the latest announcement : None

* Notes

- (1) Changes in significant subsidiaries during the third quarter ended December 31, 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 December 31, 2017 :	67,369,359
As of March 31, 2017 :	67,369,359

2. Number of treasury shares

As of December 31, 2017 :	149,543
As of March 31, 2017 :	172,660

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

December 31, 2017 :	67,211,746
December 31, 2016 :	67,193,224

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 third quarter ended (from April 1, 2017 to December 31, 2017), demands for automatic control equipment continued to substantially increase in semi-conductor related industries for Japan, Asia and North America, and also to steadily expand in other industries including automotive industries and machine tool industries.

In order to respond to the strong demands from our customers, we SMC group continued to aggressively expand sales activities while enhancing and strengthening our product supply capacity, such as an expansion of domestic and overseas production and distribution basis.

As a result, net sales were 439,026 million yen (increased by 25.1% from the previous corresponding period), and operating profit was 143,894 million yen (increased by 43.1%) mainly due to a growth in revenue. Ordinary profit was 157,359 million yen (increased by 40.1%) due to a stable transition of foreign exchange rates. Profit before income taxes was 156,544 million yen (increased by 40.9%), and profit attributable to owners of parent was 113,991 million yen (increased by 28.9%).

ROE became 10.4%, gained by 1.3 points from the previous corresponding period.

(2) Description of Financial Positions

Total assets as of the end of the third quarter were 1,357,751 million yen , which was an increase of 165,306 million yen (13.9%) from the previous fiscal year end. The main factors were 69,268 million yen increase in cash and deposits, 18,914 million yen increase in notes and accounts receivable-trade, 31,345 million yen increase in inventories, and 43,463 million yen increase in investment securities, while securities were decreased by 11,065 million yen.

Total liabilities were 200,362 million yen , which was an increase of 38,286 million yen (23.6%) from the previous fiscal year end. The main factor was 28,112 million yen increase in notes and accounts payable-trade.

Net assets were 1,157,388 million yen , which was an increase of 127,019 million yen (12.3%) from the previous fiscal year end. The main factors were 87,107 million yen increase in retained earnings and 32,611 million yen increase in foreign currency translation adjustment.

Equity ratio became 85.0%.

(3) Consolidated Forecasts and Other Forward-Looking Information

Forecasts of both consolidated and non-consolidated operating results for the year ending March 31, 2018 that were announced on October 27, 2017 have been unchanged.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2017	Third quarter end -Current year As of December 31, 2017
[ASSETS]		
Current assets		
Cash and deposits	459,874	529,143
Notes and accounts receivable-trade	141,057	159,972
Securities	22,401	11,335
Merchandise and finished goods	79,909	94,207
Work in process	15,001	17,578
Raw materials and supplies	84,274	98,745
Other	34,228	42,931
Allowance for doubtful accounts	(818)	(758)
Total current assets	835,928	953,155
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	74,603	74,962
Machinery, equipment and vehicles, net	28,332	28,862
Land	32,705	35,270
Other, net	13,611	20,481
Total property, plant and equipment	149,252	159,577
Intangible assets	11,060	12,365
Investments and other assets		
Investment securities	54,187	97,650
Insurance funds	122,966	128,174
Other	20,857	8,011
Allowance for doubtful accounts	(1,808)	(1,183)
Total investments and other assets	196,203	232,652
Total non-current assets	356,516	404,595
Total assets	1,192,444	1,357,751

(Millions of yen)

	Year end -Previous year As of March 31, 2017	Third quarter end -Current year As of December 31, 2017
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	60,648	88,760
Short-term loans payable	11,735	11,805
Income taxes payable	20,066	22,728
Provision for bonuses	2,812	8,875
Provision	—	2,652
Other	34,177	29,087
Total current liabilities	129,439	163,910
Non-current liabilities		
Long-term loans payable	5,338	4,843
Provision for directors' retirement benefits	869	876
Net defined benefit liability	8,427	7,933
Other	18,001	22,798
Total non-current liabilities	32,635	36,452
Total liabilities	162,075	200,362
[NET ASSETS]		
Shareholders' equity		
Capital stock	61,005	61,005
Capital surplus	72,871	73,372
Retained earnings	875,230	962,338
Treasury shares	(3,348)	(3,063)
Total shareholders' equity	1,005,758	1,093,652
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,864	14,932
Foreign currency translation adjustment	14,459	47,071
Remeasurements of defined benefit plans	(1,475)	(1,359)
Total accumulated other comprehensive income	21,848	60,644
Non-controlling interests	2,761	3,091
Total net assets	1,030,369	1,157,388
Total liabilities and net assets	1,192,444	1,357,751

(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, 2016 From April 1, 2016 to December 31, 2016	Third quarter ended December 31, 2017 From April 1, 2017 to December 31, 2017
Net sales	351,001	439,026
Cost of sales	175,535	210,677
Gross profit	175,465	228,349
Selling, general and administrative expenses	74,888	84,455
Operating profit	100,576	143,894
Non-operating income		
Interest income	4,644	5,667
Foreign exchange gains	5,155	5,581
Other	2,295	2,652
Total non-operating income	12,095	13,901
Non-operating expenses		
Interest expenses	120	81
Sales discounts	171	192
Loss on sales of securities	—	114
Other	48	47
Total non-operating expenses	339	436
Ordinary profit	112,332	157,359
Extraordinary income		
Gain on sales of non-current assets	189	157
Gain on sales of investment securities	47	—
Other	7	14
Total extraordinary income	243	171
Extraordinary losses		
Loss on retirement of non-current assets	45	41
Impairment loss	1,402	932
Other	40	13
Total extraordinary losses	1,488	987
Profit before income taxes	111,087	156,544
Income taxes	29,250	42,342
Income taxes for prior periods	(6,898)	—
Profit	88,735	114,201
Profit attributable to non-controlling interests	330	210
Profit attributable to owners of parent	88,405	113,991

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	Third quarter ended December 31, 2016 From April 1, 2016 to December 31, 2016	Third quarter ended December 31, 2017 From April 1, 2017 to December 31, 2017
Profit	88,735	114,201
Other comprehensive income		
Valuation difference on available-for-sale securities	4,501	6,170
Foreign currency translation adjustment	(9,891)	32,644
Remeasurements of defined benefit plans, net of tax	131	116
Total other comprehensive income	(5,258)	38,931
Comprehensive income	83,476	153,132
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	83,104	152,787
Comprehensive income attributable to non-controlling interests	371	345

(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 third 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)

	3Q ended December 31, 2017							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1) Sales to external customers	138,865	65,458	64,303	161,813	8,586	439,026	—	439,026
(2) Intersegment sales	174,261	3,851	1,163	41,011	15	220,303	(220,303)	—
Total	313,127	69,309	65,466	202,824	8,601	659,329	(220,303)	439,026
Operating profit	99,131	13,244	5,936	38,983	953	158,249	(14,354)	143,894

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

(Millions of yen)

	3Q ended December 31, 2017		Year ending March 31, 2018 (Forecast)	
Capital expenditures	18,703	65.8%	35,500	63.9%
Depreciation	11,292	9.0%	15,300	7.4%
R&D expense	15,009	5.5%	20,000	4.6%

(3) Consolidated full-time employees and temporary employees

(Number of personnel)

	3Q ended December 31, 2017	Increase from last year
Full-time employees (at end)	19,721	530
Temporary employees (average)	5,856	717