

August 8, 2018

Consolidated Financial Highlights for the First Quarter Ended June 30, 2018[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, 2018**
 Projected starting date of dividend payment : **—**

1. Consolidated Financial Highlights for the First Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results

(Millions of yen)

1st Quarter ended June 30	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent
2018	157,142	7.1%	52,746	13.9%	61,629	23.5%	41,837 15.6%
2017	146,687	24.6%	46,320	27.1%	49,884	105.6%	36,191 45.6%

(Note) Comprehensive Income 1Q ended June 30, 2018 : ¥ 36,331 million (21.7 %)
 1Q ended June 30, 2017 : ¥ 46,421 million —%

(Yen)

1st Quarter ended June 30	Net income per share	Net income per share (diluted basis)
2018	622.39	—
2017	538.58	—

(2) Consolidated Financial Positions

(Millions of yen)

	Total assets	Net assets	Equity ratio
June 30, 2018	1,325,567	1,173,282	88.3%
March 31, 2018	1,342,890	1,150,416	85.4%

(Note) Shareholders' equity As of June 30, 2018 : ¥ 1,170,092 million
 As of March 31, 2018 : ¥ 1,147,245 million

2. Dividends

(Yen)

For the year ended March 31	Dividend per share				
	1Q	2Q	3Q	4Q	Total
2018 (Actual)	—	200.00	—	200.00	400.00
2019 (Actual)	—	NA	NA	NA	NA
2019 (Projected)	NA	Undetermined	—	Undetermined	Undetermined

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

Breakdown of the dividend per share 2018 2Q (Actual) Ordinary dividend:¥100.00 Special dividend:¥100.00
 2018 4Q (Actual) Ordinary dividend:¥100.00 Special dividend:¥100.00

3. Forecasts of Consolidated Operating Results for the Year Ending March 31, 2019

(Millions of yen, except per share figures)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Net income per share (Yen)
Half year ending September 30, 2018	305,000	4.7%	100,000	4.8%	102,500	(0.9%)	71,500 (3.4%)	1,063.67
Year ending March 31, 2019	610,000	3.2%	200,000	3.9%	205,000	4.1%	143,000 4.5%	2,127.35

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

* Notes

- (1) Changes in significant subsidiaries during the first quarter ended June 30, 2018: 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, 2018 :	67,369,359
As of March 31, 2018 :	67,369,359

2. Number of treasury shares

As of June 30, 2018 :	149,721
As of March 31, 2018 :	149,588

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

June 30, 2018 :	67,219,682
June 30, 2017 :	67,196,908

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

The overall demands for automatic control equipment during the first quarter under review (April 1 through June 30, 2018) was steadily continued to increase. This was due to that semi-conductor related industries remained strong in Japan and China, while struggling in North America and Asia, demands for automotive industry in Japan and Europe showed stability in contrast to North America. The rate of increase of sales of machine tool industries was reactively slowed down even though the increased results in Japan, Europe and China against corresponding period of the last year, because the results of the last year was particularly strong.

Given this environment, consolidated net sales of SMC group were 157,142 million yen (increased by 7.1% from the previous corresponding period) and operating profit was 52,746 million yen (increased by 13.9%) due to higher revenue.

Ordinary profit was 61,629 million yen (increased by 23.5%) due to 5,025 million yen of foreign exchange gains by weakened yen at this period ended, profit before income taxes was 61,647 million yen (increased by 23.4%), profit attributable to owners of parent was 41,837 million yen (increased by 15.6%).

ROE became 3.6%, gained by 0.1 points from the previous corresponding period.

(2) Description of Financial Positions

Total assets as of the end of the first quarter under review were 1,325,567 million yen, decreased 17,323 million yen (1.3%) from the previous fiscal year end, mainly due to 20,604 million yen decrease of securities while inventories were increased by 8,317 million yen according sales increase.

Total liabilities were 152,284 million yen, decreased 40,189 million yen (20.9%) from the previous fiscal year end. Due to 32,588 million yen decrease of notes and accounts payable-trade according to shortening payment periods and 11,084 million yen decrease of income taxes payable despite 12,480 million yen increase of short-term loans payable mainly applying for the tax payment.

Net assets increased 22,866 million yen (2.0%) up to 1,173,282 million yen. The main factor was 28,393 million yen increase of retained earnings due to recorded profit attributable to owners of parent while decrease due to dividend payments.

Equity ratio became 88.3%.

(3) Consolidated Forecasts and Other Forward-Looking Information

Forecasts of consolidated operating results for the year ending March 31, 2019 that were announced on May 15, 2018 have been unchanged.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(Millions of yen)

	Year end -Previous year As of March 31, 2018	First quarter end -Current year As of June 30, 2018
[ASSETS]		
Current assets		
Cash and deposits	506,436	506,778
Notes and accounts receivable-trade	162,637	168,529
Securities	37,074	16,470
Merchandise and finished goods	89,731	93,900
Work in process	18,210	18,759
Raw materials and supplies	97,717	101,317
Other	28,829	15,406
Allowance for doubtful accounts	(697)	(673)
Total current assets	939,940	920,488
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	73,203	75,862
Machinery, equipment and vehicles, net	28,444	27,598
Land	35,391	38,226
Other, net	19,886	17,213
Total property, plant and equipment	156,925	158,900
Intangible assets	11,756	12,059
Investments and other assets		
Investment securities	96,058	94,855
Insurance funds	126,861	127,678
Other	12,888	13,432
Allowance for doubtful accounts	(1,541)	(1,848)
Total investments and other assets	234,267	234,118
Total non-current assets	402,950	405,079
Total assets	1,342,890	1,325,567

(Millions of yen)

	Year end -Previous year As of March 31, 2018	First quarter end -Current year As of June 30, 2018
[LIABILITIES]		
Current liabilities		
Notes and accounts payable-trade	88,411	55,823
Short-term loans payable	1,640	14,120
Income taxes payable	33,935	22,850
Provision for bonuses	3,062	6,926
Other	45,986	35,206
Total current liabilities	173,036	134,927
Non-current liabilities		
Long-term loans payable	4,798	2,733
Provision for directors' retirement benefits	890	886
Net defined benefit liability	7,022	6,813
Other	6,726	6,924
Total non-current liabilities	19,437	17,356
Total liabilities	192,473	152,284
[NET ASSETS]		
Shareholders' equity		
Capital stock	61,005	61,005
Capital surplus	73,372	73,372
Retained earnings	985,216	1,013,609
Treasury shares	(3,066)	(3,071)
Total shareholders' equity	1,116,528	1,144,916
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,864	10,017
Foreign currency translation adjustment	20,594	15,917
Remeasurements of defined benefit plans	(742)	(757)
Total accumulated other comprehensive income	30,716	25,176
Non-controlling interests	3,171	3,190
Total net assets	1,150,416	1,173,282
Total liabilities and net assets	1,342,890	1,325,567

(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, 2017 From April 1, 2017 to June 30, 2017	First quarter ended June 30, 2018 From April 1, 2018 to June 30, 2018
Net sales	146,687	157,142
Cost of sales	72,691	75,268
Gross profit	73,996	81,873
Selling, general and administrative expenses	27,676	29,127
Operating profit	46,320	52,746
Non-operating income		
Interest income	1,940	2,088
Foreign exchange gains	585	5,025
Other	1,135	1,876
Total non-operating income	3,661	8,990
Non-operating expenses		
Interest expenses	27	24
Sales discounts	58	67
Other	10	15
Total non-operating expenses	96	108
Ordinary profit	49,884	61,629
Extraordinary income		
Gain on sales of non-current assets	70	36
Other	3	0
Total extraordinary income	73	36
Extraordinary losses		
Loss on retirement of non-current assets	6	17
Other	1	1
Total extraordinary losses	7	19
Profit before income taxes	49,950	61,647
Income taxes	13,690	19,727
Profit	36,259	41,919
Profit attributable to non-controlling interests	68	82
Profit attributable to owners of parent	36,191	41,837

Consolidated Quarterly Statement of Comprehensive Income

(Millions of yen)

	First quarter ended June 30, 2017 From April 1, 2017 to June 30, 2017	First quarter ended June 30, 2018 From April 1, 2018 to June 30, 2018
Profit	36,259	41,919
Other comprehensive income		
Valuation difference on available-for-sale securities	2,225	(888)
Foreign currency translation adjustment	7,897	(4,683)
Remeasurements of defined benefit plans, net of tax	38	(15)
Total other comprehensive income	10,161	(5,587)
Comprehensive income	46,421	36,331
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	46,324	36,296
Comprehensive income attributable to non-controlling interests	97	34

(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.

Additional Information

[Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"]

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) was adopted from the beginning of fiscal 2019 first quarter. Accordingly, deferred tax assets are classified as part of "Investments and other assets" and deferred tax liabilities are classified as part of "Long-term liabilities".

Supplementary Information

(1) Geographic segment information

(Millions of yen)

	1Q ended June 30, 2018							
	Japan	North America	Europe	Asia	Other	Total	Intersegment Eliminations	Consolidated
Net sales								
(1) Sales to external customers	49,004	22,145	24,324	58,622	3,045	157,142	—	157,142
(2) Intersegment sales	59,132	1,530	358	14,805	2	75,828	(75,828)	—
Total	108,137	23,675	24,683	73,428	3,047	232,971	(75,828)	157,142
Operating profit	33,361	3,232	2,622	14,160	388	53,766	(1,019)	52,746

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

(Millions of yen)

	1Q ended June 30, 2018		Year ending March 31, 2019 (Forecast)	
Capital expenditures	6,793	61.1%	40,000	68.9%
Depreciation	3,763	6.2%	16,800	10.1%
R&D expense	5,172	5.0%	21,300	5.2%

(3) Consolidated full-time employees and temporary employees

(Number of personnel)

	1Q ended June 30, 2018	Increase from last year end
Full-time employees (at end)	19,840	160
Temporary employees (average)	5,769	(18)