

SEMI ANNUAL REPORT

2015

For the six months ended September 30, 2015

Connection
System
Division



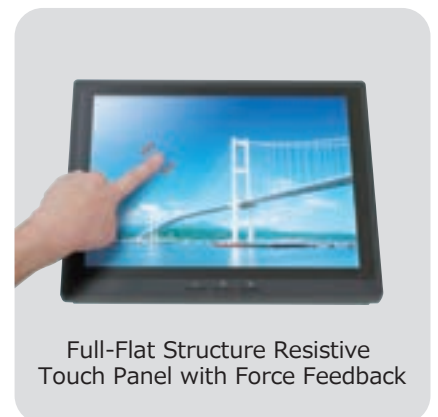
SMB Coaxial Connector(FAKRA)

Functional
Components
Division



Small Coaxial Camera Module

Touch Panel
Division



Full-Flat Structure Resistive
Touch Panel with Force Feedback

Financial Highlights

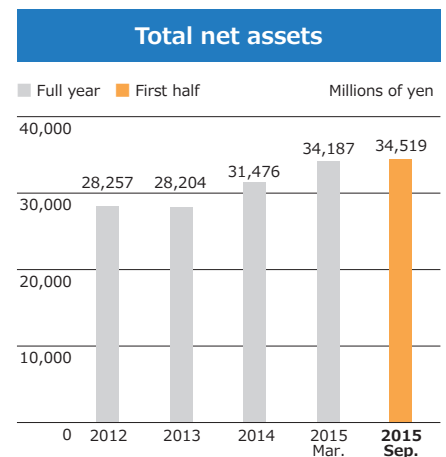
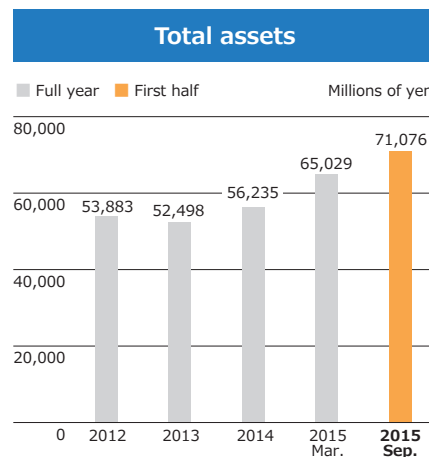
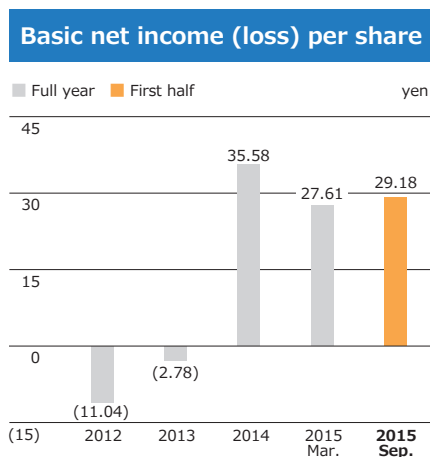
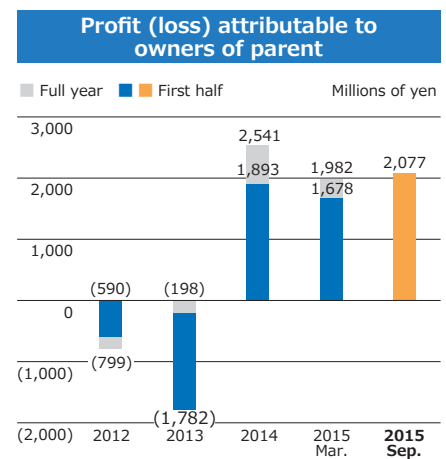
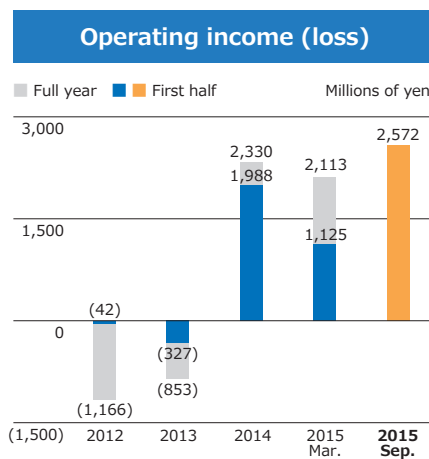
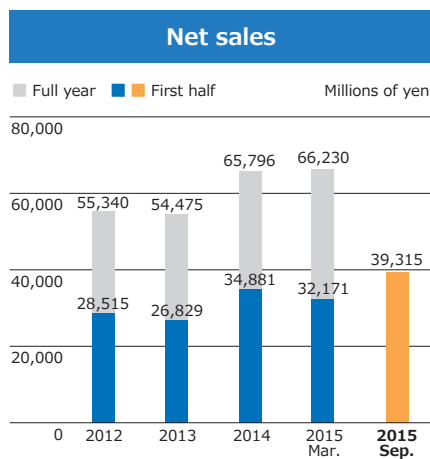
SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2014	Six months ended September 30 2015	Six months ended September 30 2015
Operating Results			
Net sales	¥ 32,171	¥ 39,315	\$ 327,734
Operating income	1,125	2,572	21,440
Profit attributable to owners of parent	1,678	2,077	17,314

	As of March 31 2015	As of September 30 2015	As of September 30 2015
Financial Position			
Total assets	¥ 65,029	¥ 71,076	\$ 592,497
Total net assets	34,187	34,519	287,754

	Yen		U.S. dollars
	Six months ended September 30 2014	Six months ended September 30 2015	Six months ended September 30 2015
Per Share Data			
Net income :			
Basic	¥ 23.38	¥ 29.18	\$ 0.24
Diluted	¥ 23.35	¥ 29.13	\$ 0.24

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 119.96 = U.S. \$1.00.



To Our Shareholders and Investors

We are obliged to you for your continued support and good patronage.

We would like to report on the outline and results of the SMK Group's businesses for the half period of the 94th fiscal year (from April 1, 2015, to September 30, 2015).

We look forward to your continuing support and encouragement.

November 2015

Yasumitsu Ikeda
President and COO



Performance Overview

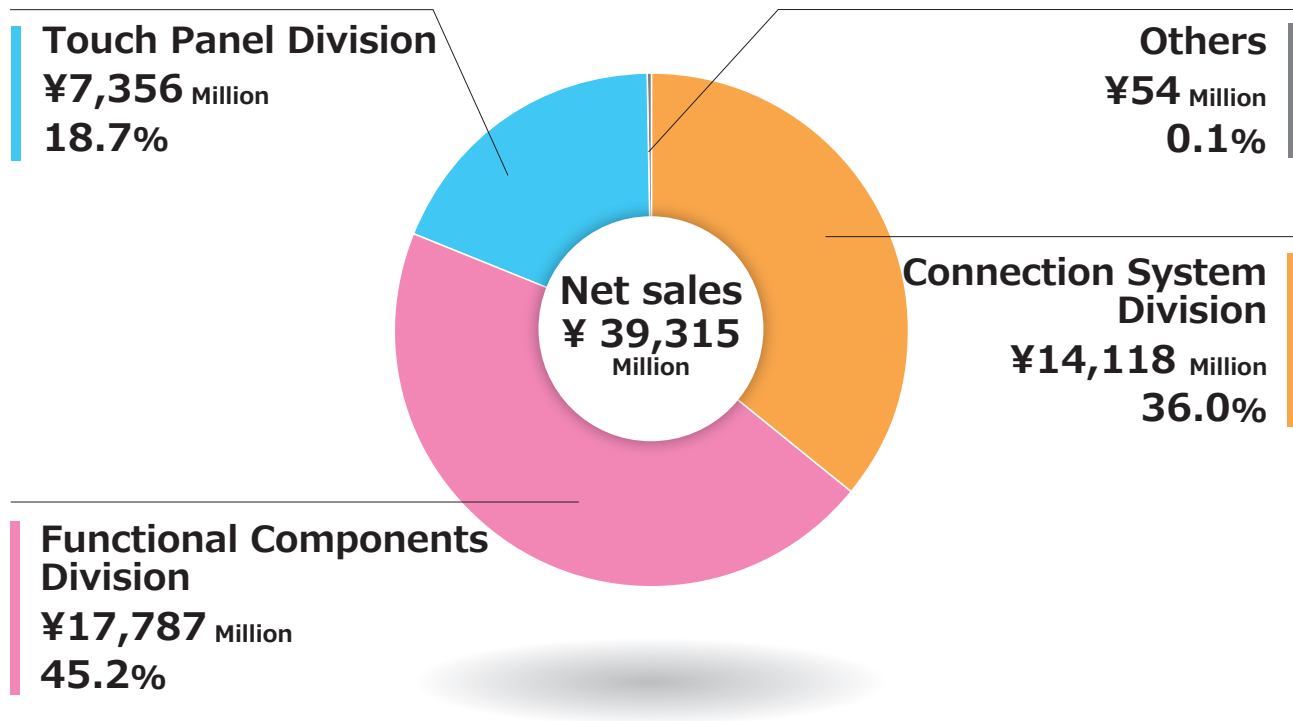
During the half period of the 94th fiscal year ended September 30, 2015, the overall global economy maintained a moderate recovery path, led by the favorable U.S. economy, although the slowdown of the Chinese economy became increasingly apparent. As for the Japanese economy, although a moderate recovery of corporate earnings and improvement in the employment environment were seen, the business sentiment stayed level, affected by the economic slowdown in emerging countries such as China and sluggish domestic consumer spending.

Under these circumstances, the SMK Group achieved steady expansion of sales of connectors, camera modules, touch panels and other products in the mainstay car electronics market. In the communication market, our business grew steadily, resulting from the progress in adopting new products and the sales of standard products. We also strove to aggressively introduce new products, improve price competitiveness, strengthen sales capability and enhance operational efficiency, resulting in year-on-year increases both in the SMK Group's consolidated net sales and income for the half period of the 94th fiscal year ended September 30, 2015. Reflecting this growth, we decided to pay an interim dividend of ¥6 per share.

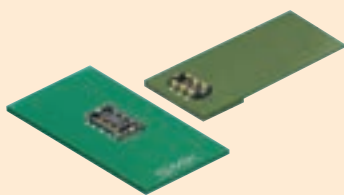
The SMK Group strives to increase sales of its mainstay products for automobiles, smartphones, and set top boxes, as well as to explore new markets such as IoT (Internet of Things), HEMS, ecology and energy, medical and healthcare and wearable devices, aiming to pursue further expansion of our earning capabilities. We will also further enhance the SMK vision "Challenge, Creativity, Solutions" and courageously tackle the challenge to solve not only the visible issues but also the latent issues faced by customers and society worldwide.

Overview of Consolidated Results by Division

(April 1, 2015 to September 30, 2015)



Connection System Division



FPC to Board Connector (FB-7 Series)

Applications:
Smartphone, Tablet PC,
Mobile Phone

Major Products

- Coaxial Connectors
- Board to Board Connectors
- FPC Connectors
- Jacks

Although sales of our products for photovoltaic power generation declined significantly due to changes in Japanese market conditions, sales of products for other markets progressed steadily. In the information and communication market, which is our mainstay market, sales of our products were favorable as customers in North America and China increasingly adopted our new products although there were differences in sales levels among the customers. In the car electronics market, in which we are injecting our focused effort, demand for parts and components for safe driving expanded, pushed by the enactment of related laws and regulations. Also, sales of our products for healthcare and video games advanced significantly due to customers newly adopting our products. Going forward, we will continue to promote the development of new products toward growth markets by fully utilizing our high-speed transmission and miniaturization technologies.

Functional Components Division



Standard RF Remote Control using Bluetooth® 4.0 LE Protocol

Application:
TV, Set Top Box,
Home Network Related Devices

Major Products

- Remote Control Units
- Wireless Device Units
- Switches
- Camera Modules

Sales of main products of remote control grew significantly due to customers in China increasingly adopting our products in addition to remote control for set top boxes in Europe and the U.S. markets. Sales of our products for home appliances and sanitary goods expanded for customers in Japan and the U.S. With regard to the car electronics market, sales of camera modules and capacitive touch pads progressed steadily. In the information and communication market, our small switches were adopted for new smartphones, which contributed to sales. Going forward, we will strengthen product development and sales expansion by positioning the wearable devices and HEMS as new markets.

Touch Panel Division



Capacitive Touch Panel for Polarized Sunglasses

Application:
Car Navigation ,
Automotive Center Console, etc.

Major Products

- Resistive Touch Panels
- Capacitive Touch Panels
- Optical Touch Panels

Sales of our products for the car electronics markets in the U.S. and China progressed as planned, whereas in other countries' markets some customers' sluggish sales performance adversely affected our sales. However, mass production of our new capacitive touch panels commenced, and further sales growth is predicted going forward. For the industrial machinery market, although we struggled because of the fierce price competition in some markets, we launched new businesses in the fields of medical equipment, machining tools and office equipment. We will also aggressively expand sales in new fields with a high potential for sales increases, such as home appliances and wearable devices.

90 Years History of SMK Reflected in its Mainstay

Ninety years ago, when radio broadcasting began in Japan, SMK launched its operations. Adhering to the founding spirit of "Good parts create good final products," we will continuously contribute to the realization of a more fulfilling and progressive future society.

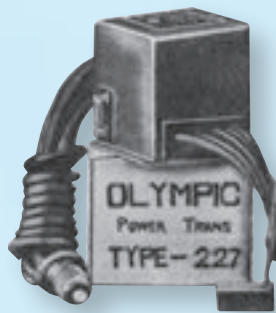
1920–early 1940s

Mainstay Products:
Radios, Radio Components

Representative Product ①

Olympic Power Trans

This product was registered in 1929 with the trademark "Olympic," which embodied the idea that "Radio will connect the world. We will cultivate a company filled with the capability and youth found in the Olympic Games, and in the future expand our market around the globe."



Representative Product ②

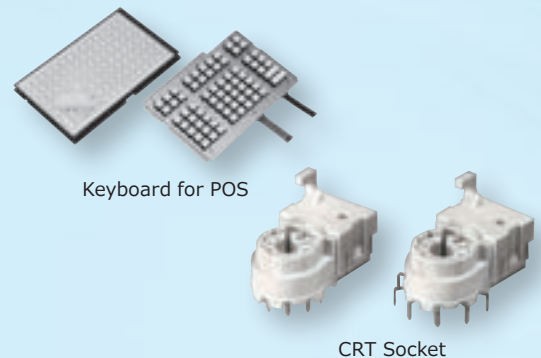
Olympic Model 680 Receiver

In 1937, SMK's Olympic Model 680 receiver was chosen to receive an award as a superior product from among 107 models at the First Radio Exhibition Contest sponsored by the Japan Radio Association. This was an outstanding achievement for a corporation only in their fifth year as a manufacturer of receivers.



1980s–1990s

Mainstay Products:
Computing and Information Components



Keyboard for POS

CRT Socket

Late 1940s–1960s

Mainstay Products:
TV Components

Vacuum Socket for ST Tube
Cathode-ray Tube Sockets for black-and-white television and color television

1970s

Mainstay Products:
Video Tape Recorder (VTR) Components



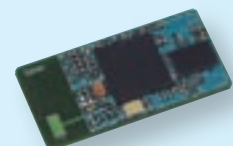
Large Phone Jack



Slide Switch

2000s–early 2010s

Mainstay Products:
Communication and
Car Electronics Components



Bluetooth® Audio Module



Automotive
Camera Module

Products and Future High-Potential Markets



Representative Product

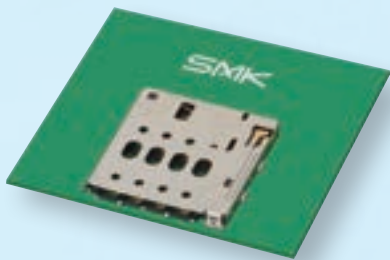
Standard Infrared Remote Control Units

SMK launched standard infrared remote control units one after another for TVs, videos and audio equipment. Developing products that meet each customer's needs, SMK gained a solid reputation: "For a remote control units go to SMK."

Representative Product ①

microSIM Card Connector

SMK's microSIM card connectors that draw on its miniaturization and lightness technologies were adopted for smartphones, mobile phones and tablet PCs, etc.



Representative Product ②

Capacitive OGS Touch Panel for Automobile

High durability is required for touch panels for automobiles, SMK products meet the strict standards required in automobile components and have gained a high reputation as the interface between humans and electronic equipment.



2015–2020s

SMK will continue to address customer needs that are constantly evolving on a global scale, fully utilizing its advanced technologies nurtured through its long history and leading-edge innovations.



Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

Assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2015	As of September 30 2015	As of September 30 2015
Current assets			
Cash and cash equivalents	¥ 9,999	¥ 12,505	\$ 104,243
Time deposits	183	108	900
Notes and accounts receivable, trade	16,979	18,858	157,202
Allowance for doubtful accounts	(44)	(49)	(408)
Inventories	6,422	7,212	60,120
Deferred tax assets	551	512	4,268
Other current assets	3,241	4,275	35,637
	37,333	43,423	361,979
Investments and long-term loans			
Investment securities	3,104	2,789	23,249
Long-term loans receivable	108	105	875
Asset for retirement benefits	841	1,034	8,620
Other investments	654	688	5,735
Allowance for doubtful accounts	(108)	(108)	(900)
	4,600	4,509	37,588
Property, plant and equipment			
Land	7,449	7,431	61,946
Buildings	20,824	20,875	174,016
Machinery and vehicles	21,158	21,026	175,275
Tooling and office furniture	23,058	23,517	196,040
Construction in progress	438	349	2,909
	72,928	73,199	610,195
Less-accumulated depreciation	(50,394)	(50,925)	(424,517)
	22,534	22,273	185,670
Other assets			
Deferred tax assets	242	248	2,067
Intangible assets	318	621	5,177
	561	869	7,244
Total assets	¥ 65,029	¥ 71,076	\$ 592,497

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 119.96 = U.S. \$1.00.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2015	As of September 30 2015	As of September 30 2015
Current liabilities			
Short-term loans payable	¥ 7,605	¥ 12,707	\$ 105,927
Notes and accounts payable, trade	4,542	5,450	45,432
Accrued income taxes	594	564	4,702
Accrued bonus	1,021	901	7,511
Accounts payable, non-trade	5,970	6,240	52,017
Other current liabilities	1,518	1,987	16,564
	21,253	27,851	232,169
Long-term liabilities			
Long-term debt	6,641	5,847	48,741
Accrued directors' and officers' retirement benefits	138	157	1,309
Liability for retirement benefits	56	39	325
Other long-term liabilities	2,752	2,660	22,174
	9,589	8,704	72,558
Net assets			
Shareholders' equity			
Common stock			
Authorized : 195,961,274 shares			
Issued and outstanding : 79,000,000 shares	7,996	7,996	66,656
Capital surplus	12,325	12,311	102,626
Retained earnings	16,537	17,966	149,767
Treasury stock	(3,417)	(4,377)	(36,487)
	33,442	33,898	282,578
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities	608	411	3,426
Foreign currency translation adjustments	(697)	(886)	(7,386)
Retirement benefits asset and liability adjustments	798	735	6,127
	709	260	2,167
Subscription rights to shares	35	32	267
Minority interests	—	329	2,743
	34,187	34,519	287,754
Total liabilities and net assets	¥ 65,029	¥ 71,076	\$ 592,497

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2014	Six months ended September 30 2015	Six months ended September 30 2015
Net sales	¥ 32,171	¥ 39,315	\$ 327,734
Cost of sales	26,554	31,585	263,296
Selling, general and administrative expenses	4,492	5,157	42,989
Operating income	1,125	2,572	21,440
Other income			
Interest and dividend income	55	55	458
Rent income	370	633	5,277
Foreign exchange gain, net	979	—	—
Gain on sales of fixed assets	20	112	934
Gain on sales of investment securities	90	107	892
Other	142	161	1,342
Total other income	1,656	1,070	8,920
Other expenses			
Interest expense	47	53	442
Rent expense	144	283	2,359
Foreign exchange loss, net	—	95	792
Loss on disposal of fixed assets	10	182	1,517
Loss on impairment of fixed assets	99	—	—
Loss on liquidation of subsidiaries and affiliates	—	191	1,592
Other	51	91	759
Total other expenses	351	897	7,477
Income before income taxes	2,431	2,745	22,883
Income taxes			
Current	358	628	5,235
Deferred	394	64	534
Profit	1,678	2,053	17,114
Loss attributable to non-controlling interests	—	(23)	(192)
Profit attributable to owners of parent	¥ 1,678	¥ 2,077	\$ 17,314

Yen

U.S. dollars

	Yen		U.S. dollars
	Yen	Yen	U.S. dollars
Per share data			
Net income			
Basic	¥ 23.38	¥ 29.18	\$ 0.24
Diluted	23.35	¥ 29.13	\$ 0.24

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 119.96 = U.S. \$1.00.

Consolidated Statements of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2014	Six months ended September 30 2015	Six months ended September 30 2015
Profit	¥ 1,678	¥ 2,053	\$ 17,114
Other comprehensive income			
Net unrealized gains (losses) on other securities	154	(197)	(1,642)
Foreign currency translation adjustments	533	(188)	(1,567)
Retirement benefits asset and liability adjustments	(64)	(63)	(525)
Total other comprehensive income	623	(448)	(3,735)
Comprehensive income	¥ 2,301	¥ 1,604	\$ 13,371
Total comprehensive income attributable to:			
Comprehensive income attributable to non-controlling interests	¥ 2,301	¥ 1,628	\$ 13,571
Comprehensive income attributable to owners of parent	—	(23)	(192)

Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2014	Six months ended September 30 2015	Six months ended September 30 2015
Cash flows from operating activities			
Income before income taxes	¥ 2,431	¥ 2,745	\$ 22,883
Depreciation and amortization	1,609	1,847	15,397
Loss on impairment of fixed assets	99	—	—
Amortization of goodwill	—	32	267
Increase (decrease) in accrued bonus	(324)	(116)	(967)
Increase (decrease) in accrued directors' and officers' retirement benefits	(68)	19	158
Increase (decrease) in asset and liability for retirement benefits	(278)	(307)	(2,559)
Interest and dividend income	(55)	(55)	(458)
Interest expense	47	53	442
Loss on disposal of fixed assets	10	182	1,517
Loss on liquidation of subsidiaries and affiliates	—	191	1,592
(Increase) decrease in notes and accounts receivable, trade	(391)	(2,248)	(18,740)
(Increase) decrease in inventories	215	(891)	(7,427)
Increase (decrease) in notes and accounts payable, trade	(906)	1,364	11,370
Increase (decrease) in accounts receivable, non-trade	(533)	9	75
Increase (decrease) in accounts payable, non-trade	989	110	917
Other	(122)	74	617
Subtotal	2,723	3,012	25,108
Interest and dividends received	79	47	392
Interest paid	(50)	(49)	(408)
Income taxes paid	(815)	(559)	(4,660)
Net cash provided by (used in) operating activities	1,937	2,451	20,432
Cash flows from investing activities			
Payments into time deposits	(43)	(48)	(400)
Proceeds from time deposits	43	120	1,000
Purchases of fixed assets	(1,961)	(1,744)	(14,538)
Proceeds from sale of fixed assets	60	145	1,209
Purchases of intangible fixed assets	(93)	(1,467)	(12,229)
Proceeds from sale of investment securities	126	123	1,025
Payment for execution of loans	(39)	(65)	(542)
Collection of loans receivable	45	27	225
Net cash provided by (used in) investing activities	(1,862)	(2,908)	(24,241)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	(100)	5,100	42,514
Proceeds from long-term debt	—	600	5,002
Payments of long-term debt	(344)	(1,392)	(11,604)
Purchases of treasury stock	(3)	(998)	(8,319)
Proceeds from sale of treasury stock	8	25	208
Proceeds from share issuance to non-controlling shareholders	—	352	2,934
Dividends paid	(359)	(645)	(5,377)
Net cash provided by (used in) financing activities	(799)	3,041	25,350
Effect of exchange rate changes on cash and cash equivalents	(39)	(79)	(659)
Increase (decrease) in cash and cash equivalents	(763)	2,505	20,882
Cash and cash equivalents at beginning of the year	11,134	9,999	83,353
Increase in cash and cash equivalents from newly consolidated subsidiary	14	—	—
Cash and cash equivalents at end of six months and the year	¥ 10,386	¥ 12,505	\$ 104,243

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 119.96 = U.S. \$1.00.

Corporate Information

(As of September 30, 2015)

Corporate Data

Name	SMK Corporation
Established	April 3, 1925
Registered	January 15, 1929
Primary business	Manufacture and sale of various parts for electro-communication device and electronic equipment
Capital	¥7,996,828,021
Stock exchange listing	Tokyo Stock Exchange
Administrator of shareholders register	Mitsubishi UFJ Trust and Banking Corporation
Independent auditors	Ernst & Young ShinNihon LLC Tokyo, Japan
Employees (SMK-Group)	6,024
Head office	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan TEL : 81-3-3785-1111 FAX : 81-3-3785-1878

Shares and Shareholders

Total number of Authorized shares	195,961,274	
Total number of Issued shares	79,000,000	
Number of shareholders	7,632	
Major shareholders (top ten)		
	Shares owned (1,000 shares)	Percentage of shares (%)
Mizuho Bank, Ltd.	3,527	5.02
Nippon Life Insurance Company	3,241	4.62
Dai Nippon Printing Co., Ltd.	3,200	4.56
SMK Cooperating Company Share Holding Association	2,960	4.22
Japan Trustee Services Bank, Ltd. (Trust Account)	2,672	3.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,524	3.59
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,508	3.57
Mitsubishi UFJ Trust and Banking Corporation	1,800	2.56
SMK Employees Share Holding Association	1,763	2.51
The Showa Ikeda Memorial Foundation	1,500	2.13

Note: SMK holds 8,865 thousand shares of treasury stock, but these are excluded from the above list. Figures for percentage of shares are calculated excluding the treasury stock.

Officer Introduction

Directors

President and COO	Yasumitsu Ikeda
Director, Executive Deputy President, Chief Information Officer	Yoshio Sakurai
Director, Executive Vice President, Chief Technology Officer	Yoshiyuki Kaku
Director, Executive Vice President	Mikio Wakabayashi
Director	Yuji Tanahashi

Auditors

Chairman of Auditors Meeting	Terutaka Ikeda
Auditor	Tetsuya Nakamura
Statutory Auditor	Naru Nakashima
Statutory Auditor	Ichiro Shimizu

Corporate Executive Officers

Executive Vice President	Paul Evans
Executive Vice President, Chief Financial Officer	Kohei Ohgaki
Vice President	Hideo Matsumoto
Vice President	Tsutomu Isoda
Vice President	Hiroshi Miyakawa
Vice President	Shigechika Yanagi
Vice President	Takemi Ishibashi
Vice President	Harutaka Seki
Vice President	Masanobu Ikee
Vice President	Mitsuhiro Goto
Vice President	Tetsuo Hara



5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, JAPAN
Telephone: 81-3-3785-1111 Fax: 81-3-3785-1878
<http://www.smk.co.jp/>