

October,2006

Business Report for FY2006

- From Apr.2006 to Sep.2006 -

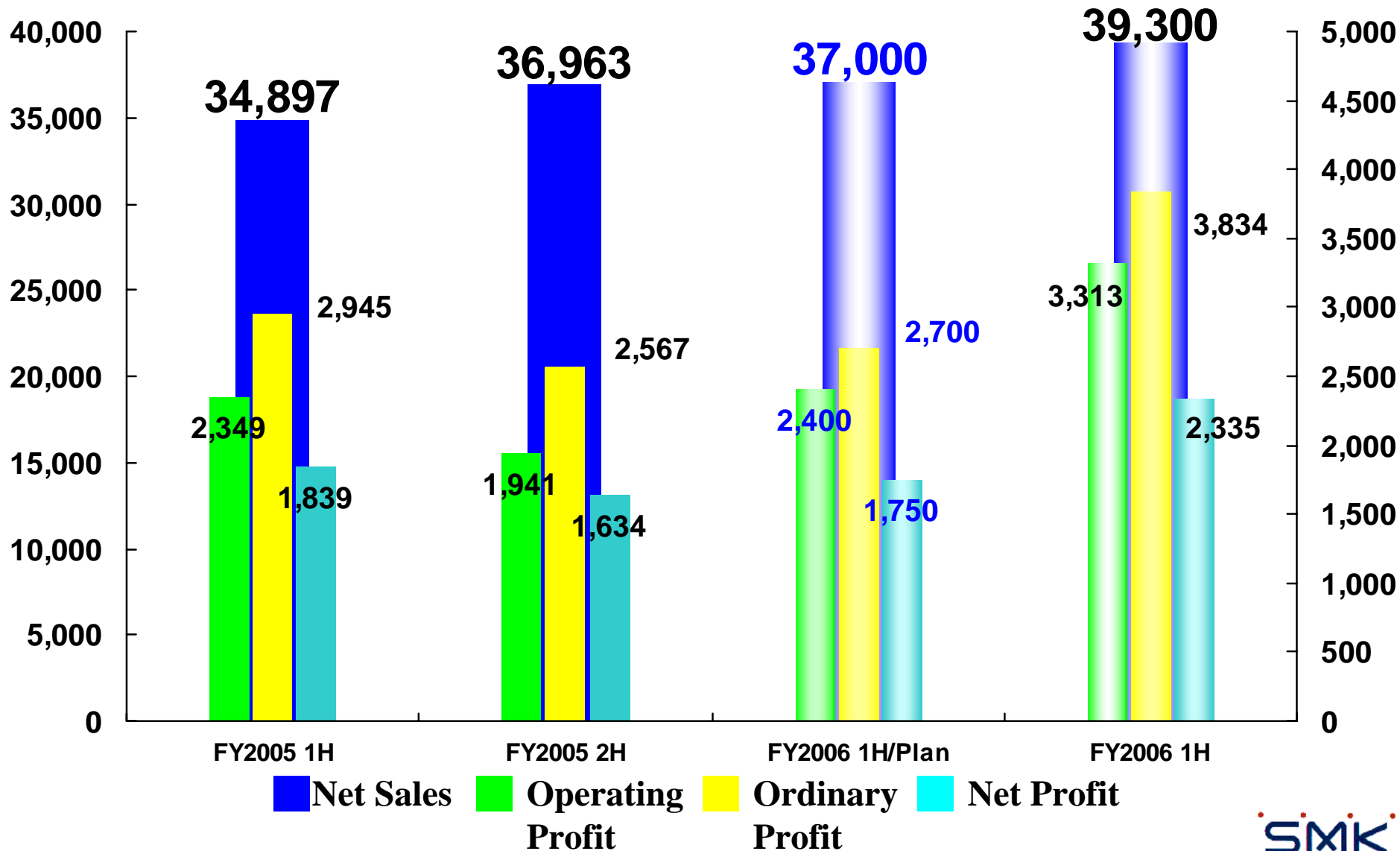


SMK

<http://www.smk.co.jp/>

<Consolidated> Performance for FY2005/1H to FY2006/1H

Unit: Million yen



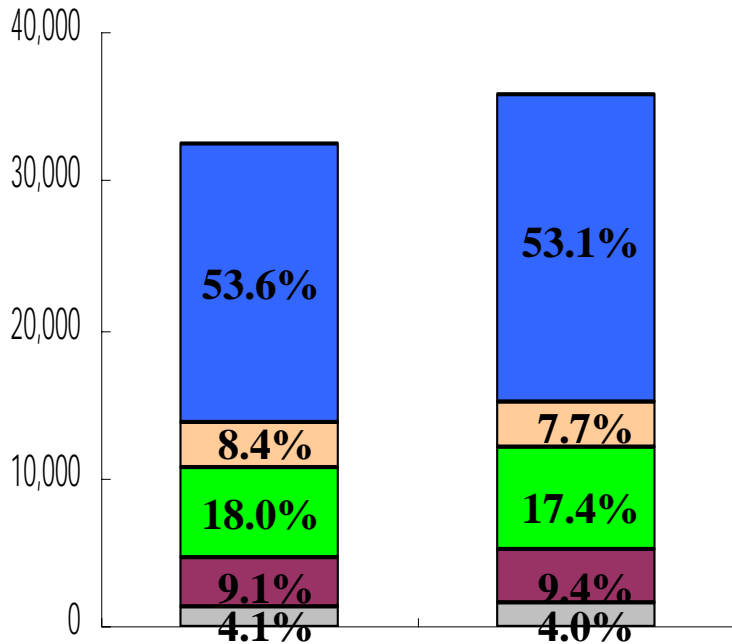
<Consolidated> FY2006 1H settlement-of-accounts presentation

1. Sales Expense

Unit:Million yen

<i>FY2005</i>	<i>FY2006</i>
<i>1H</i>	<i>1H</i>
32,548	35,987
(93.3%)	(91.6%)

():Percentage to sales amount



- Material costs
- Expenses for external manufacturing processing
- Labor costs
- Expenses
- Depreciation allowances

[(Material costs + expenses for external manufacturing processing)Improvement by 1.3%]
 62.1%->60.8% About 511 million yen
 [Labor costs decreased by 0.6%]

Operating profit

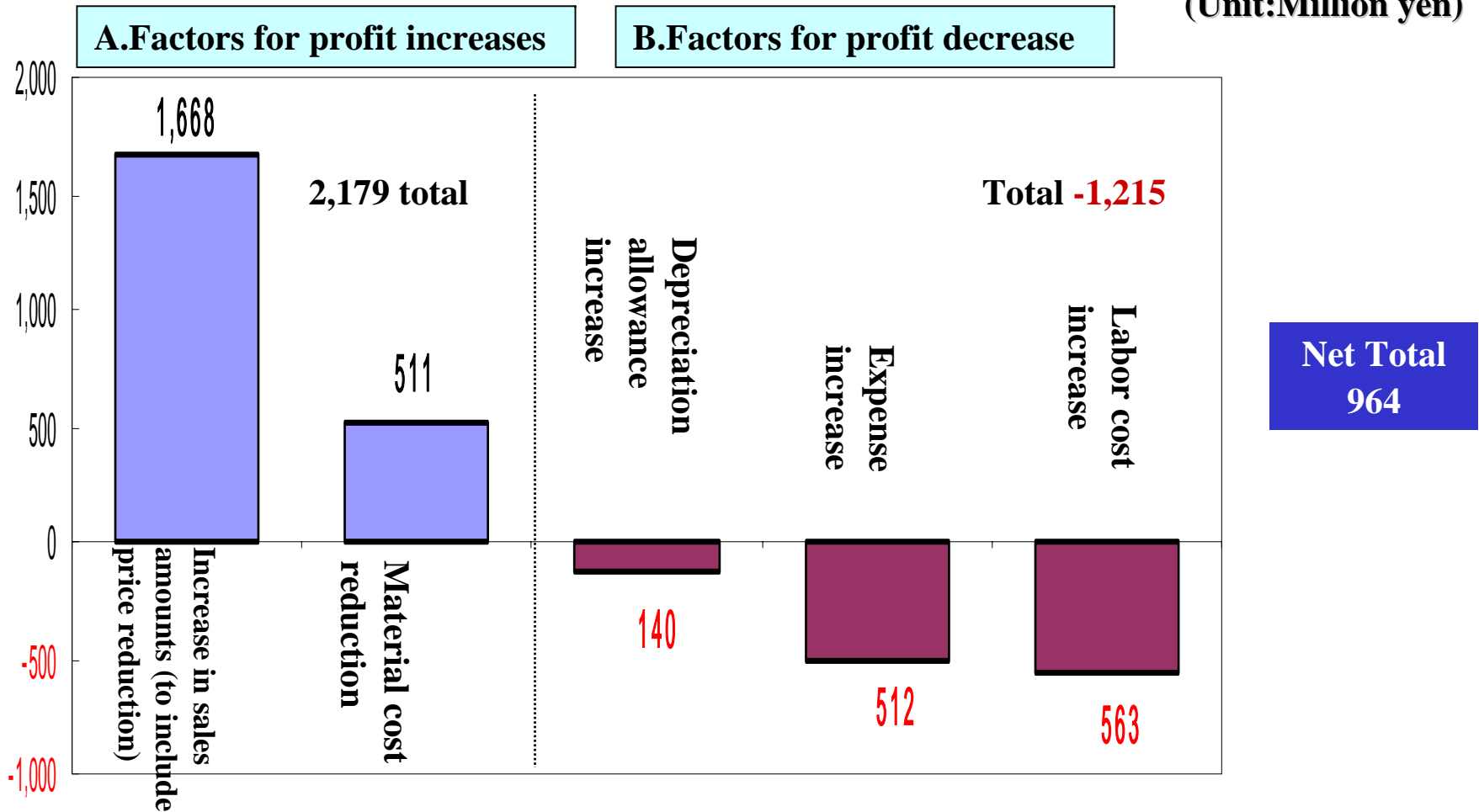
2,349	3,313
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2. Analysis of sales expenses

Analysis of profit increase/decrease factors for FY2006 1H

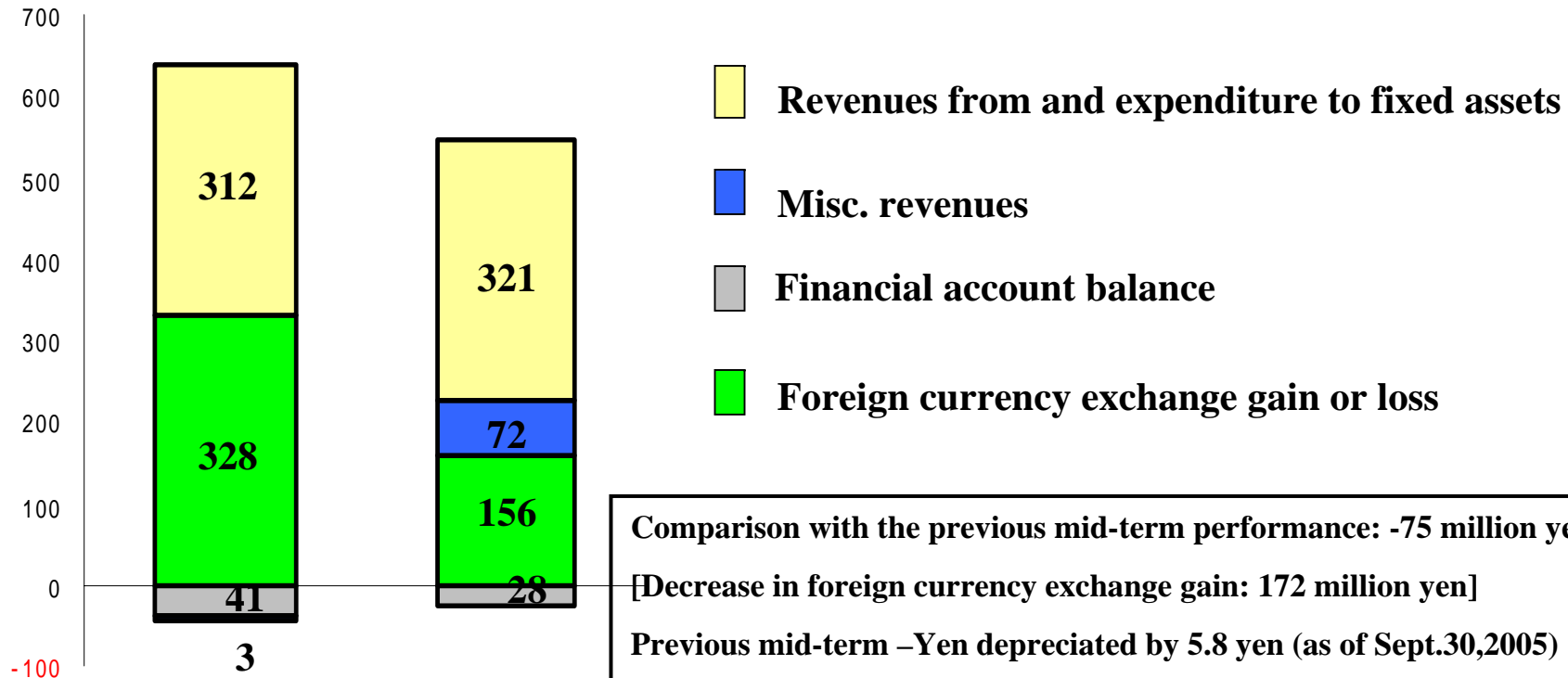
Comparison of consolidated operating profits in 2 fiscal terms [FY2005 1H vs. FY2006 1H]

(Unit: Million yen)



3. Non-operating profits and losses

(Unit: Million yen)

FY2005**FY2006****1H****1H****596****521****(1.7%)****(1.3%)****(): Percentage to sales amount**

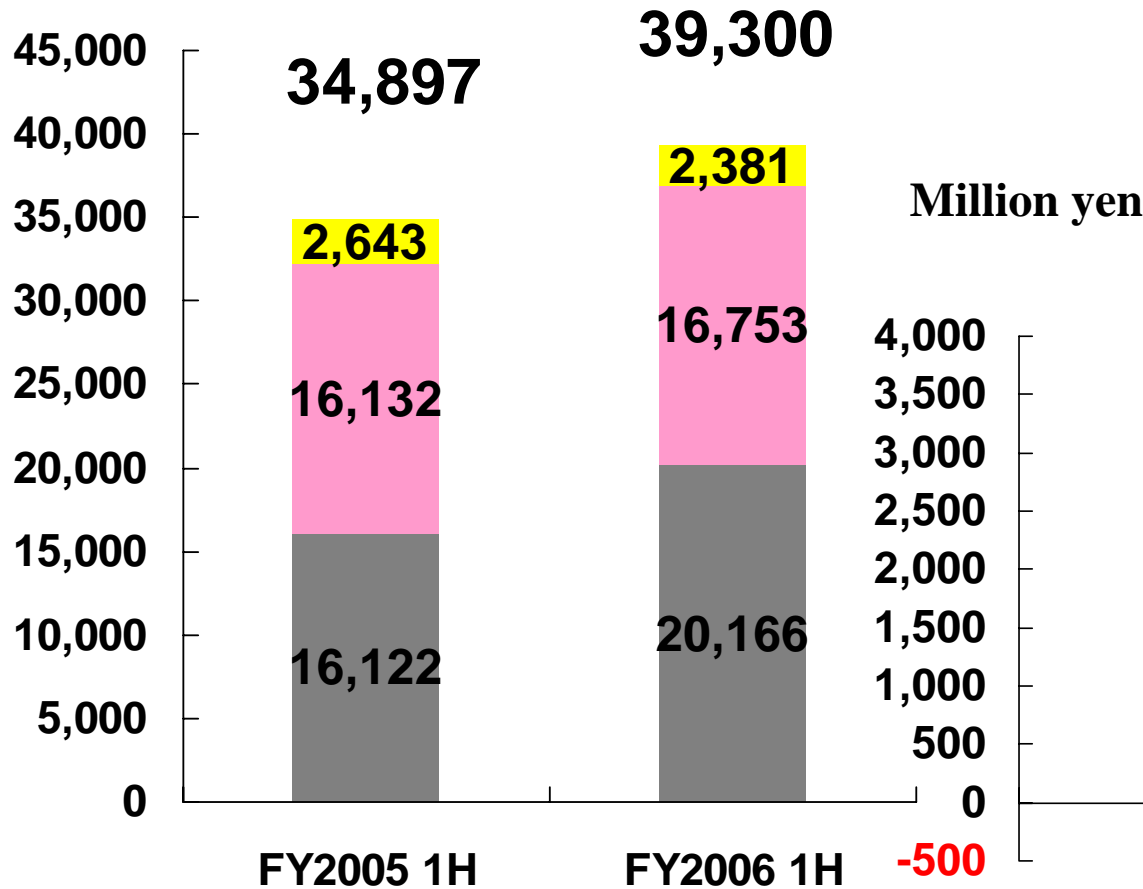
Ordinary profit

2,945**3,834**

Net sales / Operating Profit by Product Division

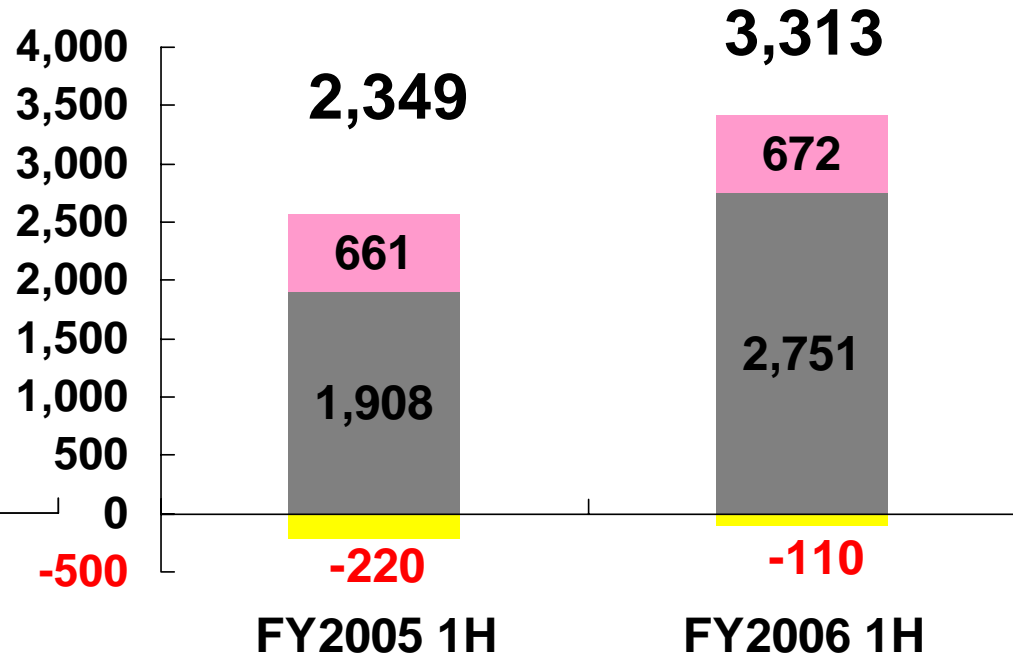
(FY2005 1H, FY2006 1H)

Unit: Million yen Net Sales



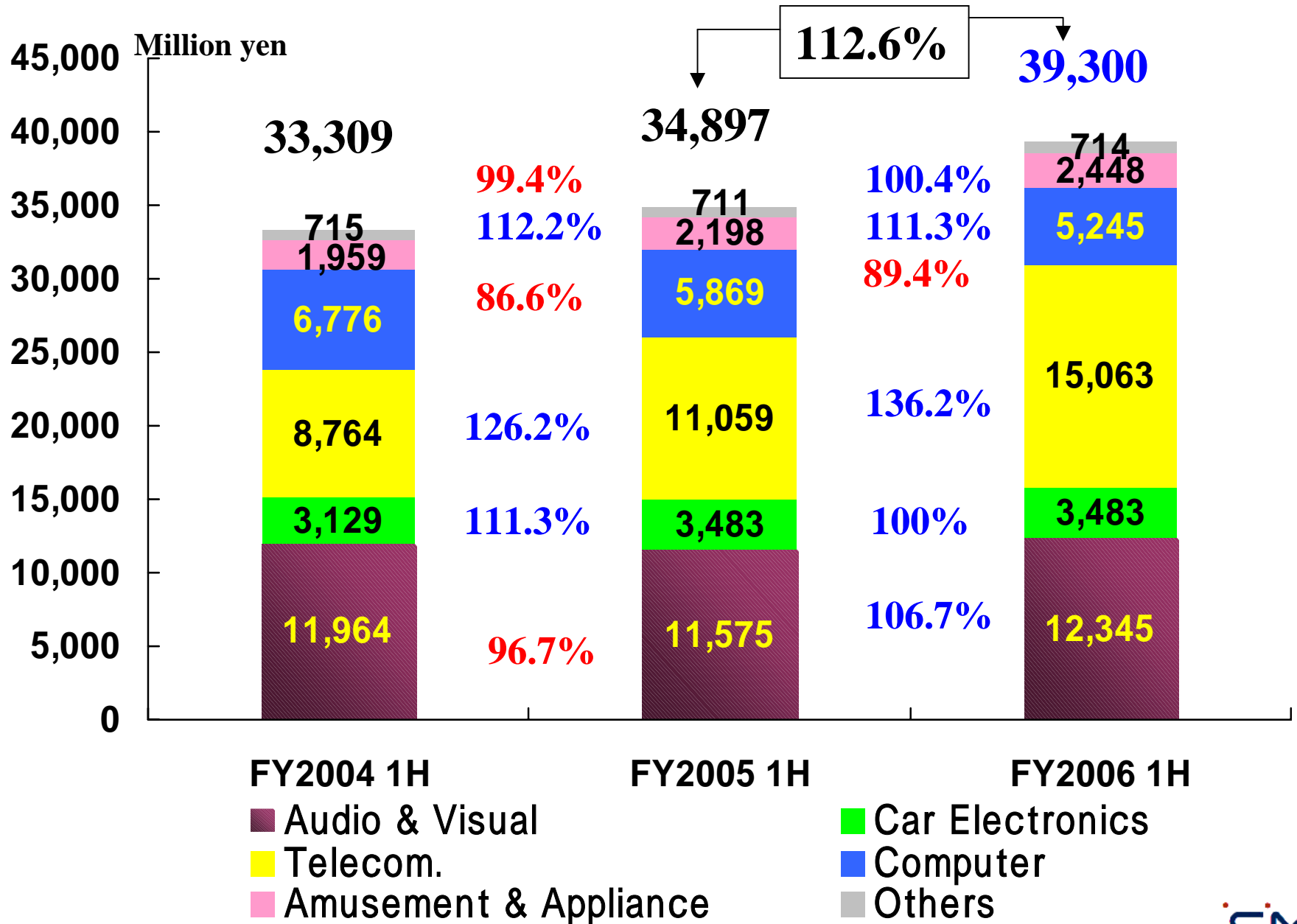
Operating Profit

Million yen



CS FC TP

1H Net Sales by Market(FY2004 -FY2006)

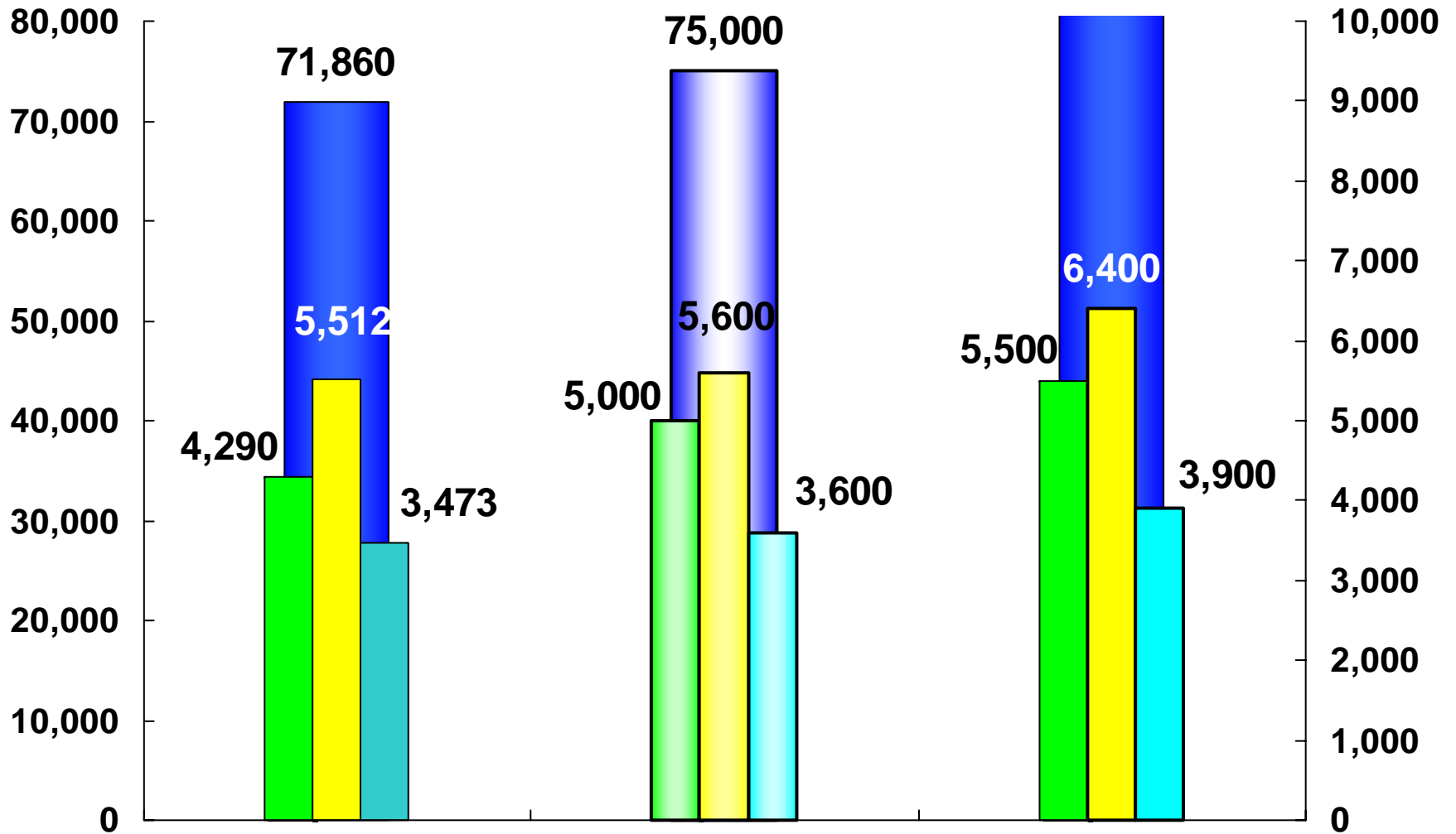


Net Sales / Operating Profit / Ordinary profit / Net Profit

(FY2005-FY2006)

Profit : Million yen

Net Sales : Million yen



FY2005

FY2006 Original plan

FY2006 Plan (modified)

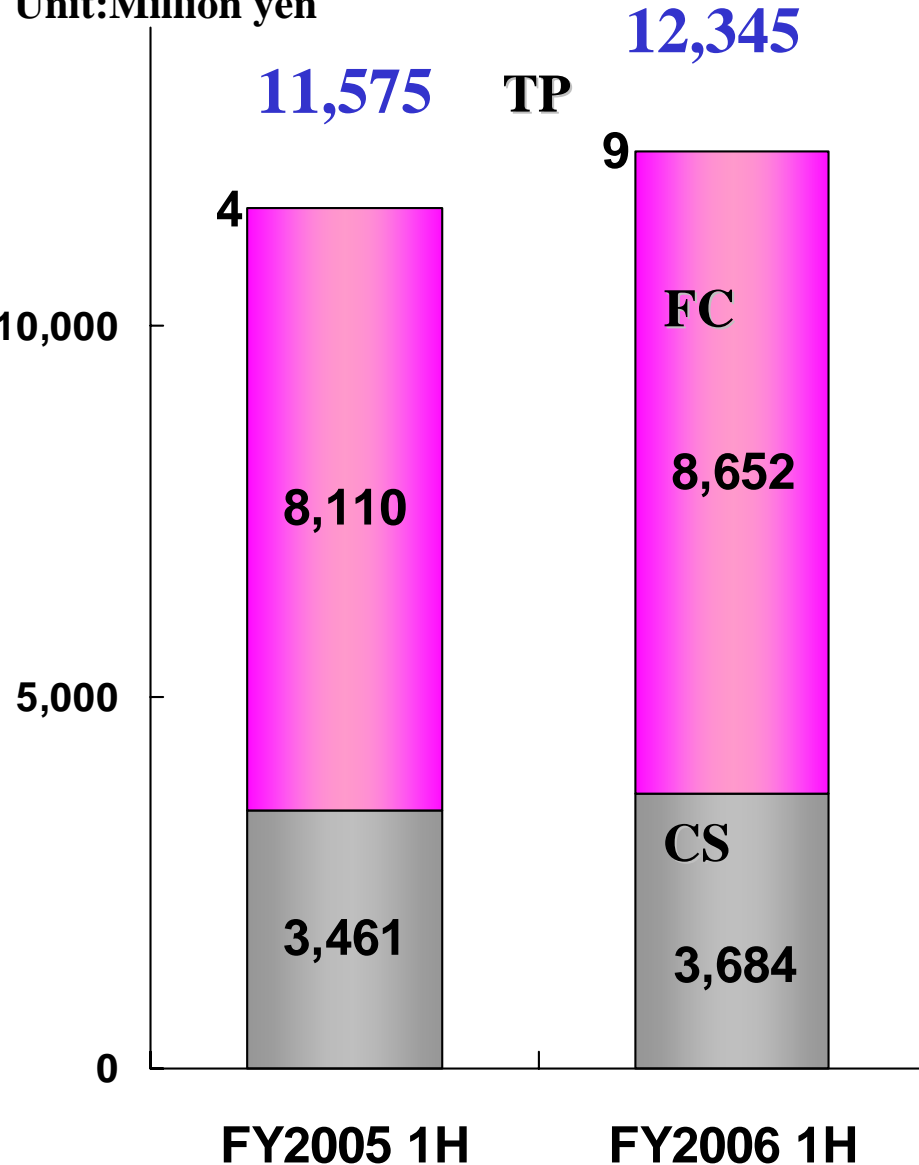
■ Net Sales ■ Operating Profit ■ Ordinary Profit ■ Net Profit

Business trend of individual markets-1

Comparison to last year performance 106.7%

[Net Sales]

Unit: Million yen



Remote control unit

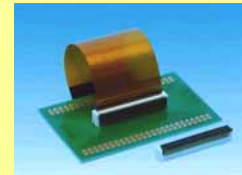
TN sales increase

- For thin TVs: European and ASEAN markets
- For STBs: North American market



New connectors' contribution to sales increase

For thin TVs



Flip structure FPC connector



HDMI connector

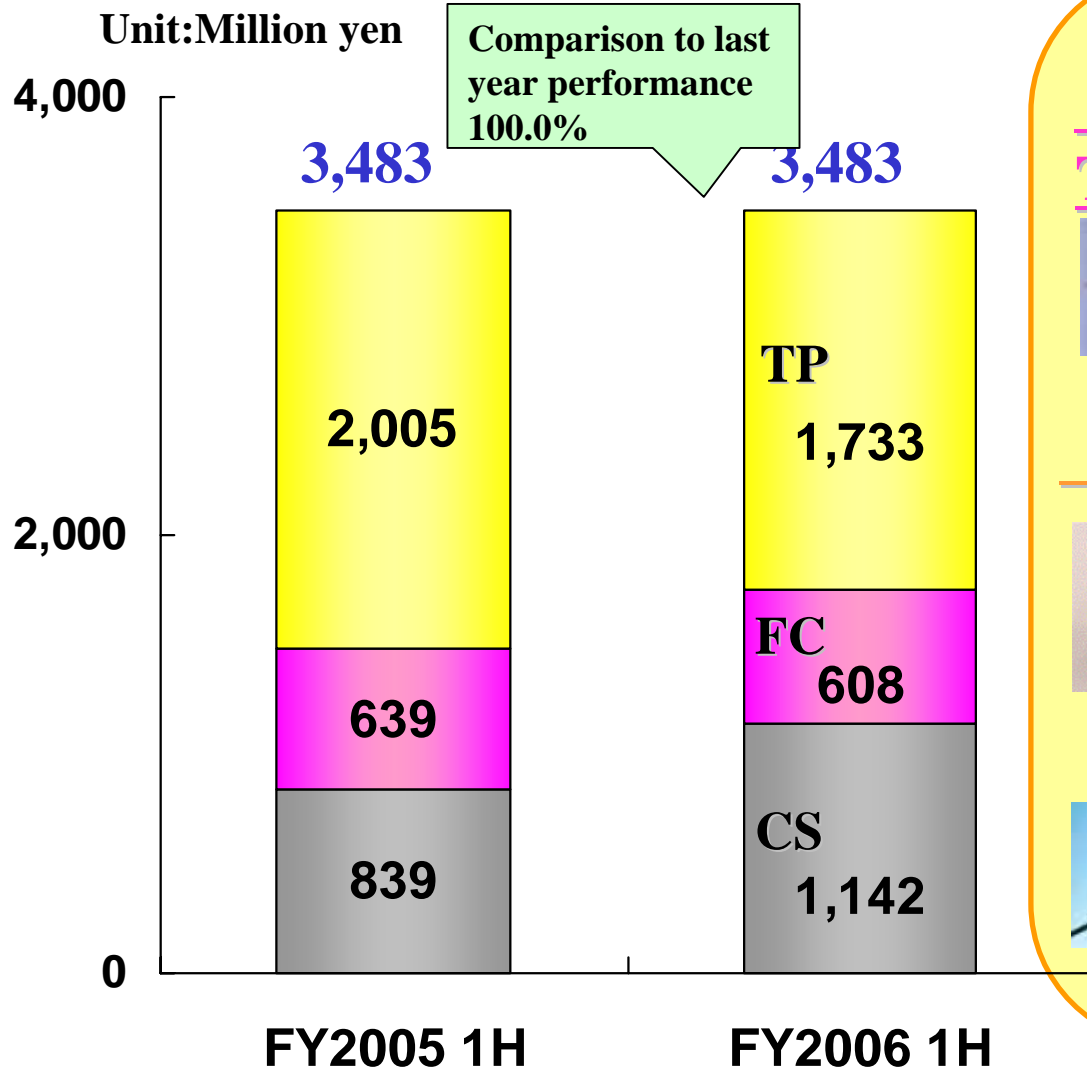
For audio system applications



Plug cords/sockets



[Net Sales]



Temporary decline in Touch panels



Sales decline due to change of product models

Increase in Connectors



Sales increase of jacks for car audio equipment for market installation (for connection of silicon audio devices)



For digital radios in the North American market

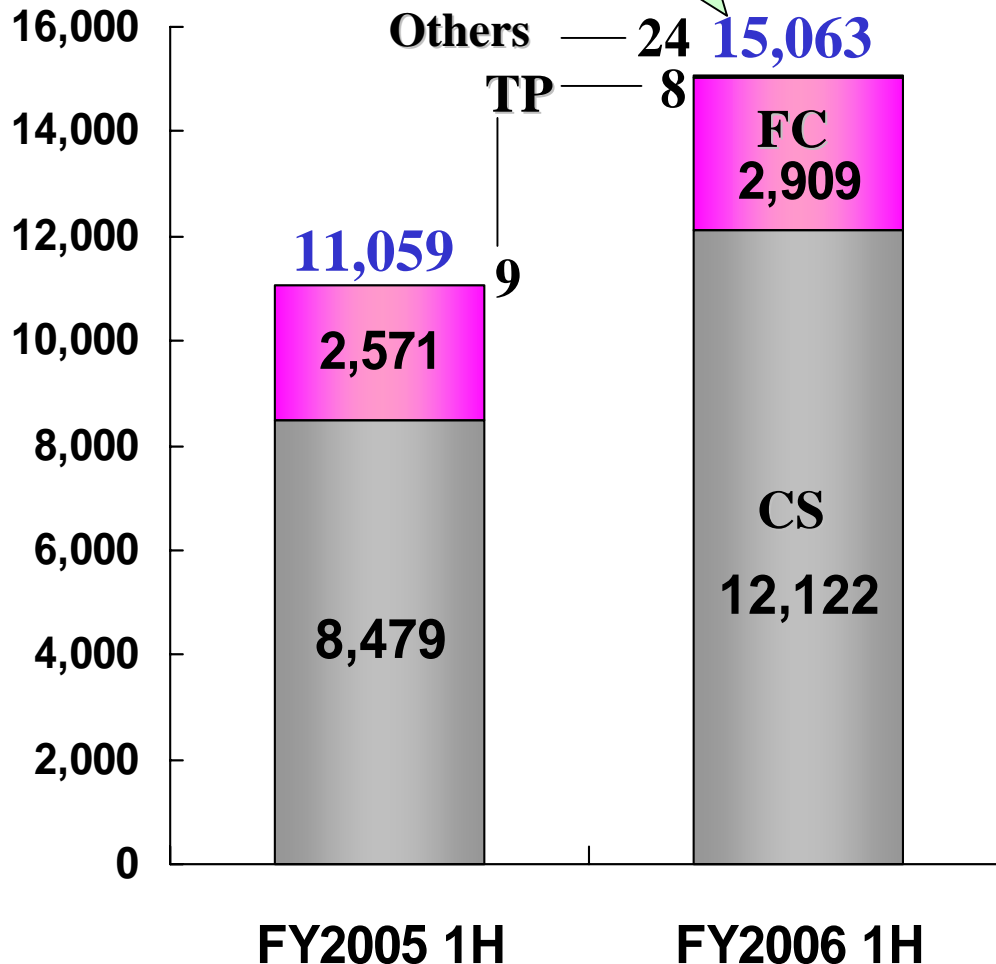
Sales increase of coaxial connectors

Business trend of individual markets-3

[Net Sales]

Unit: Million yen

Comparison to last year performance
136.2%



Increase in units

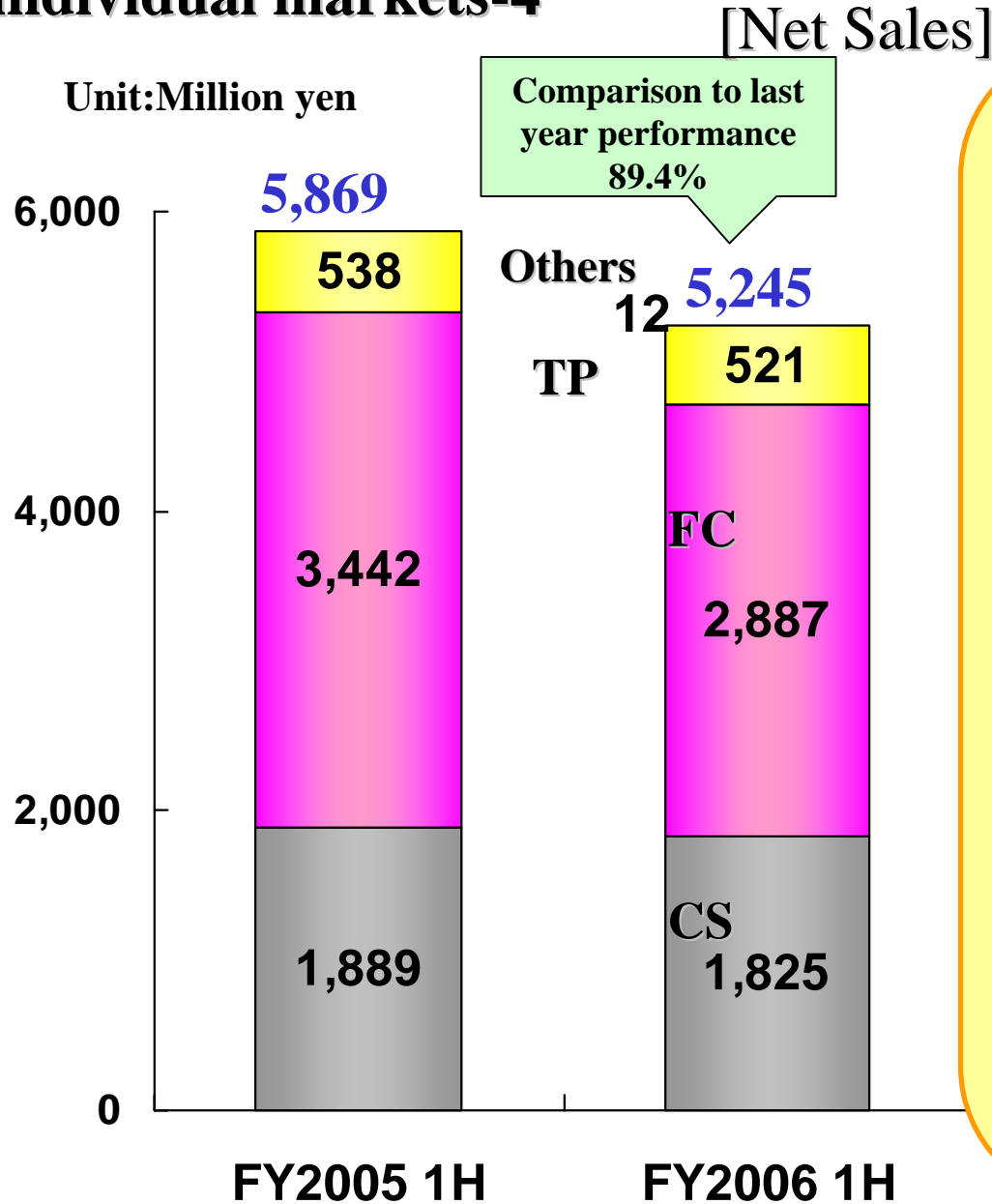


Increase in sales of Bluetooth™ units due to rising domestic demand for music

Expansion of connector sales



Sales increase of camera connectors, system connectors and coaxial connectors due to respectable overseas mobile phone markets



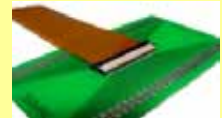
Cradle

Decrease in cradle sales due to continually decreasing digital camera prices



FPC Connector

Decrease in FPC connector sales for optical disc



Power connectors

Increase in sales of power connectors due to application with more notebook PC models



SMK's 3 major management challenges^{14/18}

1.Three Challenges

- * Enhancement of SMK's brand power.**
- * Promotion of TN wide activity for ZD (Zero Defect) to improve quality.**
- * Another try for product creation**

Start for "SMILE" activity (For 3 years)

SMK Manufacturing Innovation Leads to ZD

2.Turning red-ink businesses into black at an earliest opportunity

3.Undertaking to Medium term business plan

- * Higher than 10% ROE**
- * Continued payment of an annual dividend of 12 yen or more**

4. Environmental business

- * Compliance with the RoHS Directive (effected in July 2006)**
- * Publication of an environmental report (July 2006)**

5.CSR management

- * Establishment of the "SMK Group's Code of Conduct"(proclaimed in April 2006)**
- * Compliance with the Japanese version of the SOX law**

Topics-1 Opening / expansion of 4 overseas sales offices (Sept. to Oct. 2006)



Opening: Chicago, Dortmund and Beijing

Expansion: Seoul

Topics-2 Enhancement of production bases

1.China

Dongguan : Addition of production floors(Consolidation of factories 1 and 2, plus construction of a new building)

Production capacity ->A 50% increase over the 2005 capacity (effective from Oct. 2006)

Shenzhen: A 50% increase by addition of production floors (effective from July 2006)

2.Mexico

Increase of production floors (addition of SMT lines,molding machines and painting facilities)

A 20% increase of production capacity (effective from Sept. 2006)



Mexico



Shenzhen

The 7th medium term business plan (for 2007 through 2009) being laid down

Slogan

CREATING AN EXCITING FUTURE

Target

2010 Sales - 100 billion yen, Operating Profit - 10%

Earliest achievement of becoming
a 100 billion yen selling company
maintaining reasonable profits

Innovation and creation



**-Practicing speedy
company management**

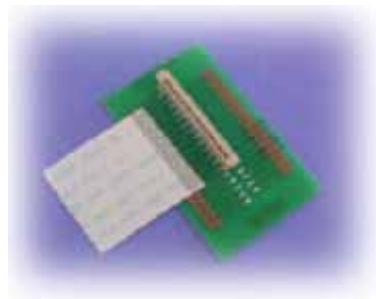


CS Division

- 1. Transition of sales and profits**
- 2. Market-specific sales**
- 3. Product strategy and Division policy**

CS= Connection System

【Main products】 : Connector/Jack
Connector **Jack**



FPC connector



I/O connector



Card connector



Speaker terminal

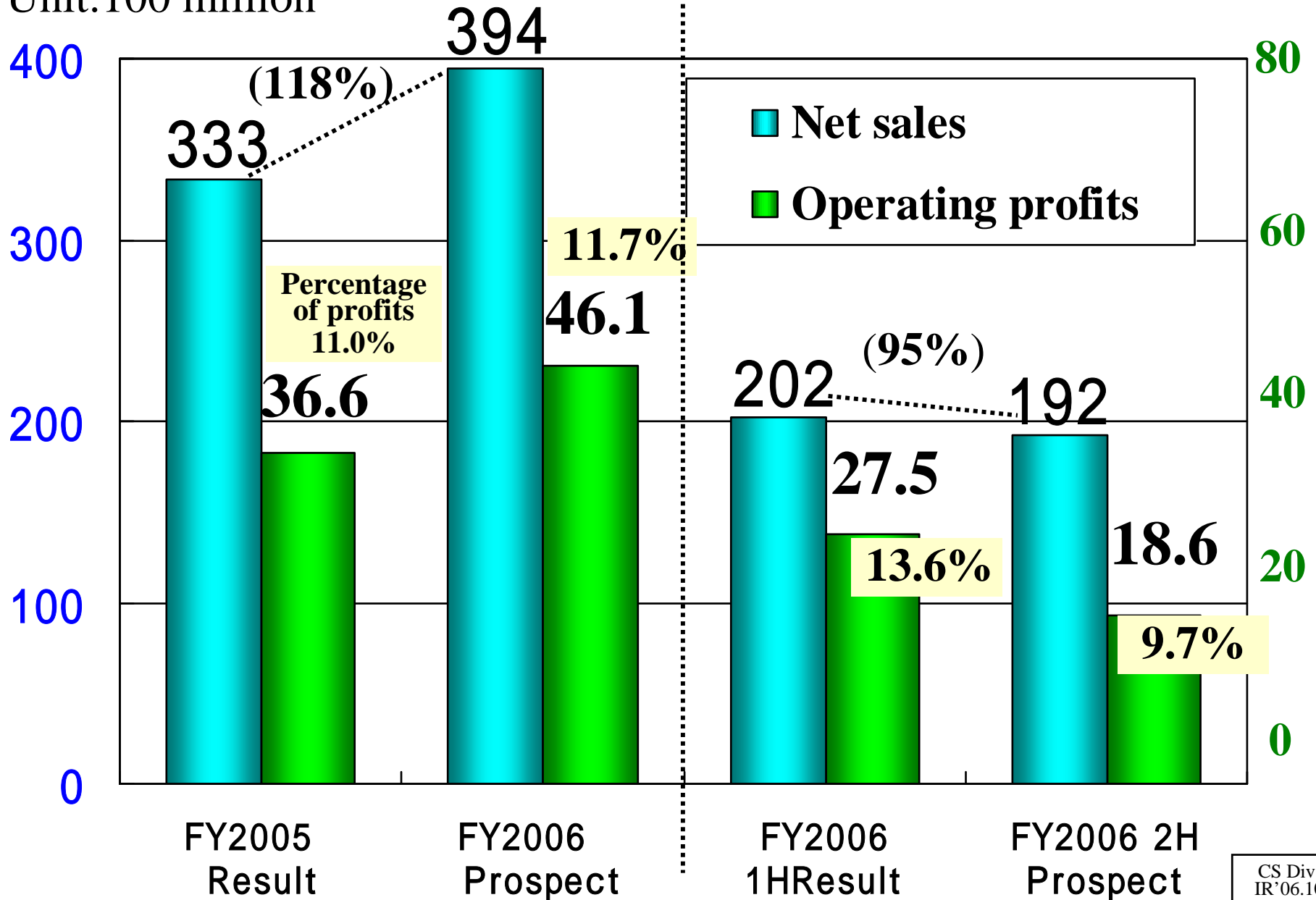


**DC power supply jack,
Headphone jack**

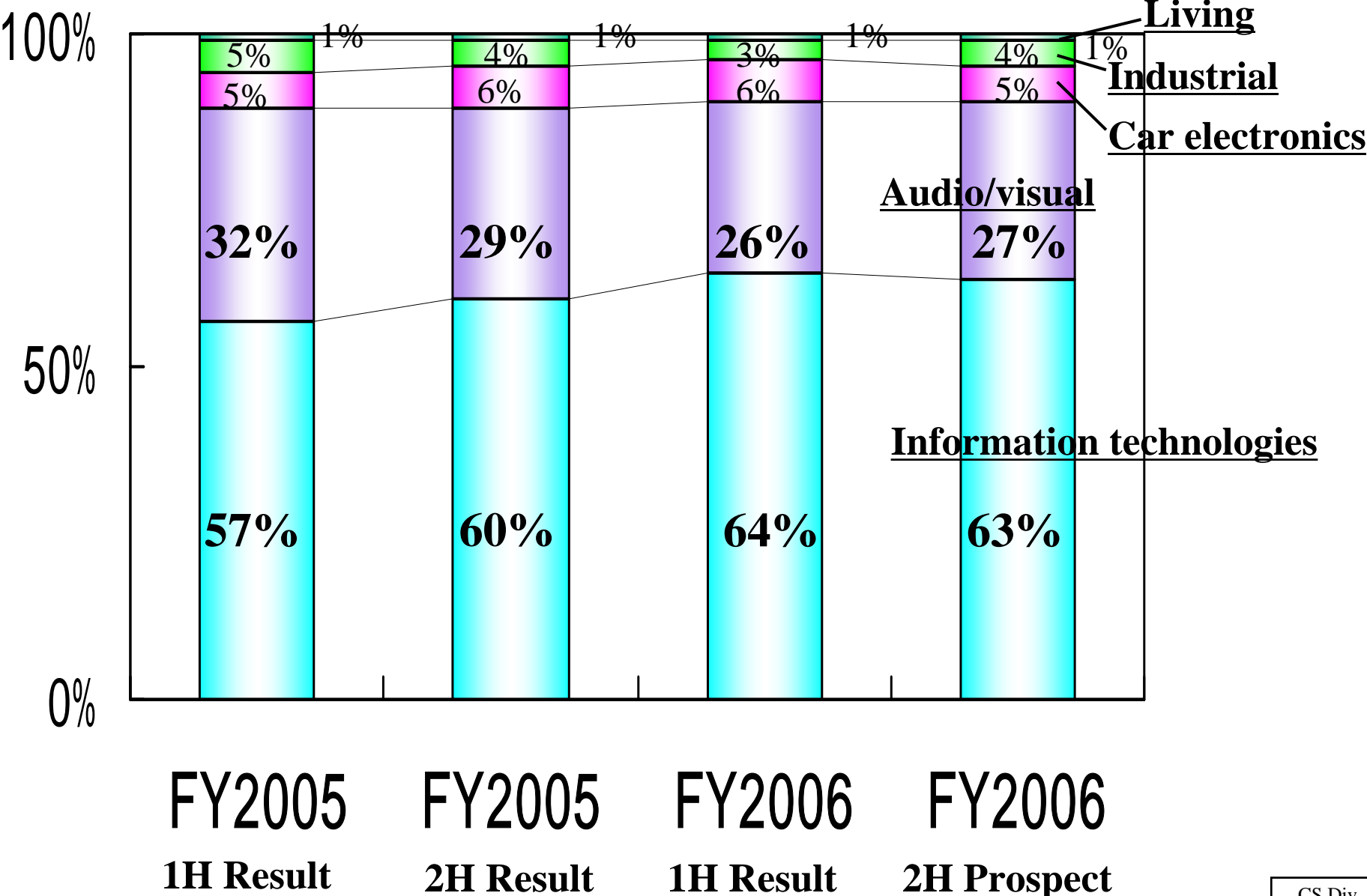
<Consolidated>Net sales, Operating profits

CS-3/10

Unit: 100 million



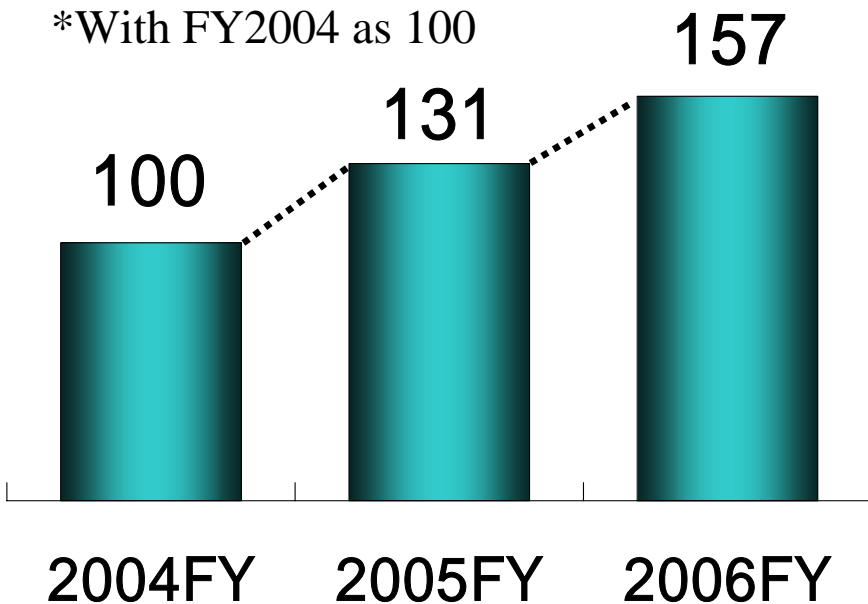
Transition of consolidated market-WG-specific sales



Interface connectors

Sale transition

*With FY2004 as 100



Connectors for mobile phones

Multi-functionality and addition of high value, Good business records with small and compound items

Connectors for notebook PCs



Optimization of items compatible with fast transmission and standard specification

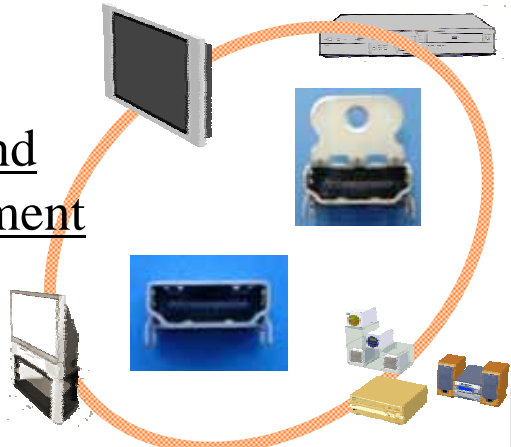
Micro USB connector



For mobile phones and portable audio devices

HDMI Connector

For AV and PC equipment

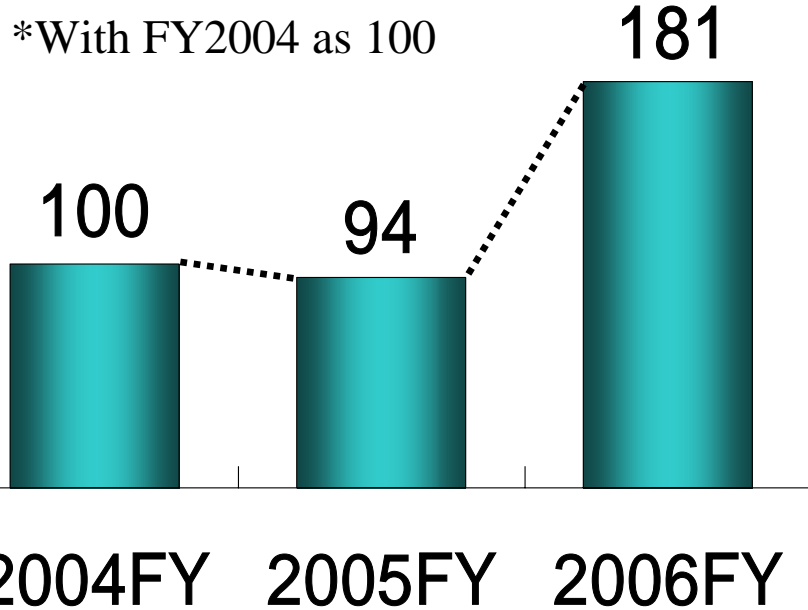


B to B Connectors

CS-6/10

Sale transition

*With FY2004 as 100



Strategic products

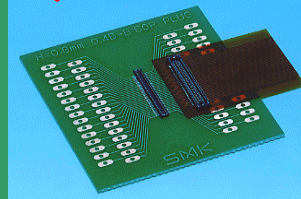
0.4mm Pitch

B to B connectors

PB-4B : H=1.2mm

PB-4A : H=0.8mm

H=0.7mm



2004FY 2005FY 2006FY

Sales strategy

High speed transmission
EMC



Enrichment of shielded products

Deployment for general applicability to portable equipment
DSCs, camcorders, portable AD devices, notebook PCs, etc.



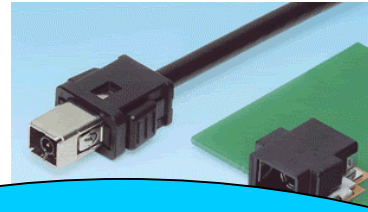
Successful approach to industry' smallest product levels

0.3mm pitch

ETC



Coaxial connectors, TC-15 series



Multi-pole external connectors

NK-10
FOM

In-vehicle camera connector market

Monitor camera connectors

Coaxial connector



Front



Back

Coaxial connector

North America

Under development

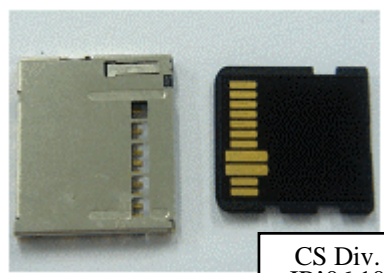
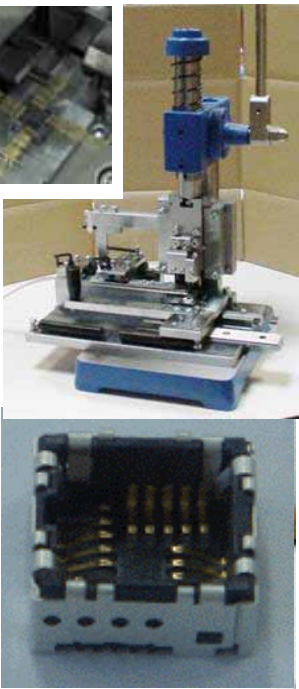
Coaxial connectors
antennas

Japan: For terrestrial digital
broadcasting

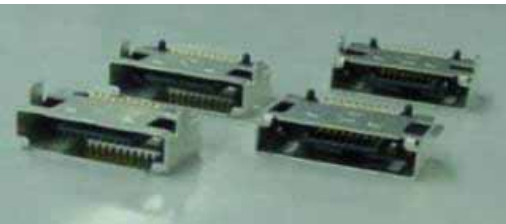
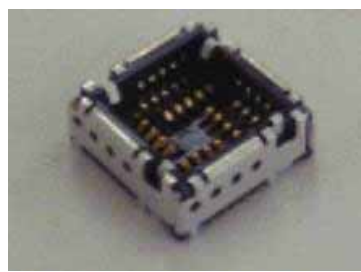
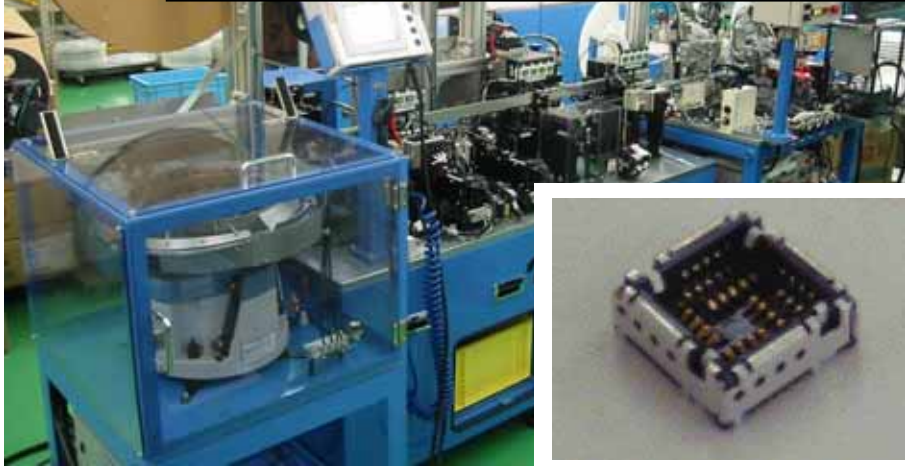
- Water-resistance technology
- Business experience with camera module manufacturers



Enhancement of SMK-SZ's production capacity



Enhancement of domestic production capacity using automatic machines



CS Div.'s policy for FY2006

CS-10/10

1.Promotion of development of technologies and products ★

2.Pursuit of optimal means ★

3.Elevation of total strength ★



FC Division

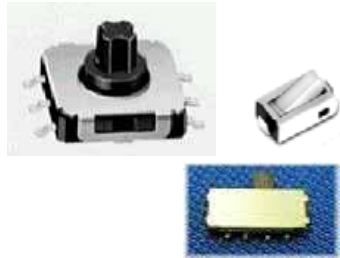
Achievement for the 1st half of FY2006 and projection for the 2nd half

- 1.<Consolidated> Sales and operating profits**
- 2.<Consolidated> Market-specific sales**
- 3.Introduction of key strategic products**

FC=Functional Components

[Main products]:Switch/Keyboard/Control panel/Earphone microphone/Cradle/Microphone/Remote Control Unit/Camera module

SW (Switch)

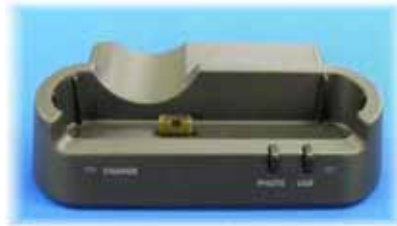


Various type of switches

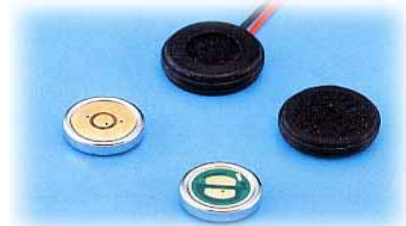
UN (Unit)



Earphone microphone



Cradle



Electret Condenser Microphone (ECM)

RC (Remote Control)



Remote Control Unit



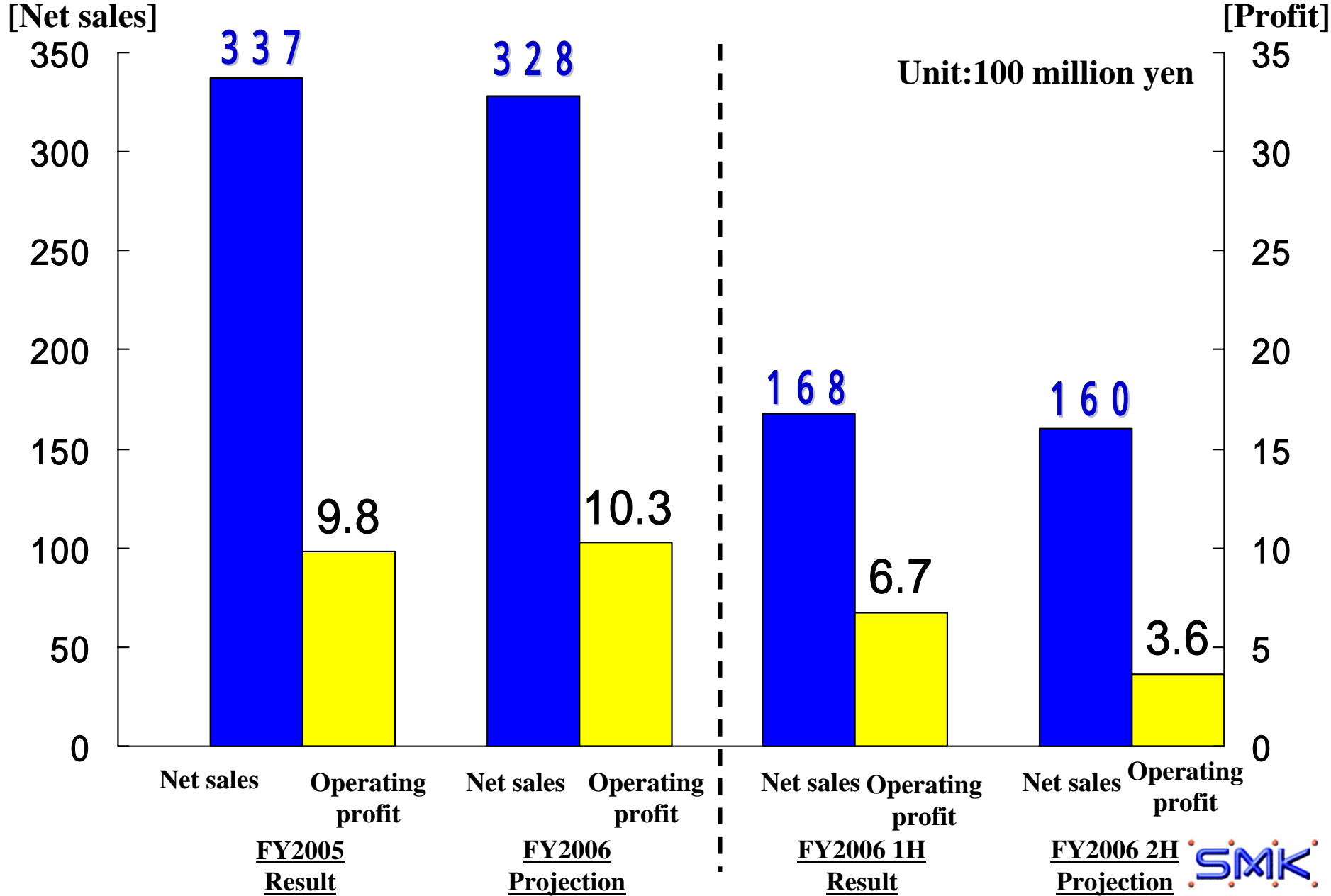
Color Intelligent Remote Control Unit

MD (Module)



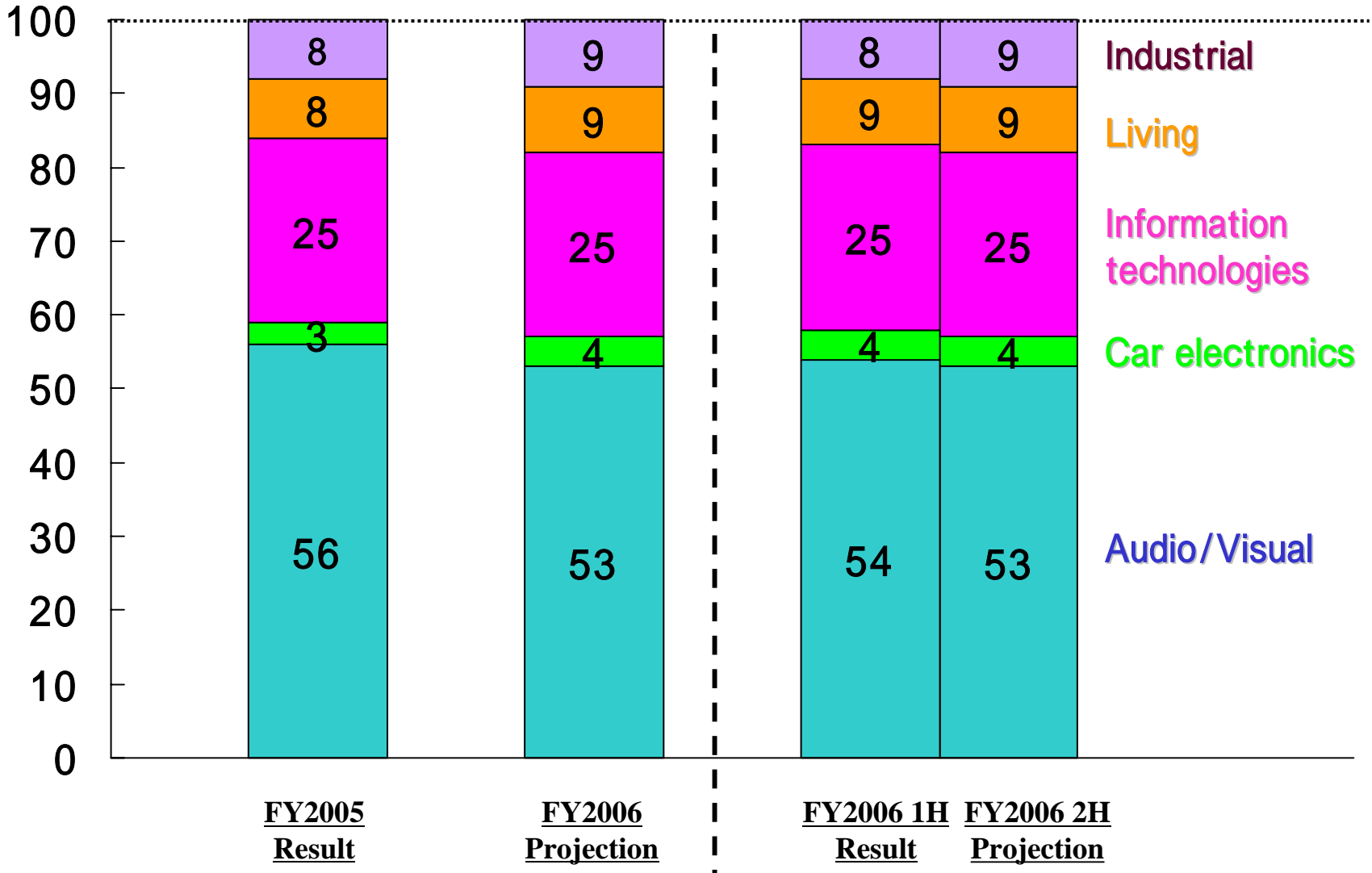
Camera Module

1.<Consolidated> Net sales, Operating profit



2.<Consolidated> Market-specific sales

%(Composition ratio)



3. FC Division's key strategic products -1

Mobile phone application market



Bluetooth™ pendants
Earphone microphone



1-Seg. Broadcast antennas

Remote controls for Windows Vista

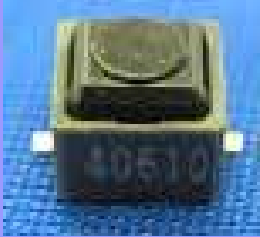
PC market

Remote controls for large flat-screen TVs

AV equipment application market

3.FC Division's key strategic products -2

Car electronics parts market



Rubber single key switch

Mobile phone parts market



Small horizontal switches



2-Dome switch



Thin slide switches



Detector switches(DSI/DSJ)

AV equipment application market



Multi function switches

FY2006 : Seeding for the medium term

business plan (for FY2007 through through FY2009)



Product development

Human resources

Cost reduction

TP Division

Contents

- 1.Introduction of TP Division and its products**
- 2.Achievement and projection of consolidated sales amounts and profits**
- 3.Market specific-ratio of sales**
- 4.TP Div's major activity points**

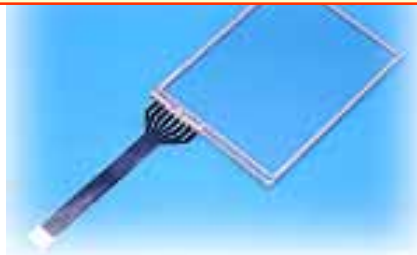
TP Division

Touch Panel

Main products



Resistance sensitive system

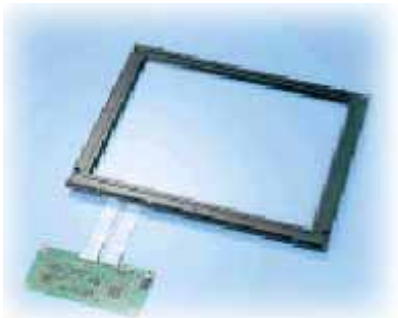


Analog type

Digital type

Force feedback function featuring type

Optical system



Glass+Glass+polarization plate type
(Low reflectance type)

- *Linear polarization type*
- *Circular polarization type*

Film+Glass type

- *General use type*
- *Low reflectance type*
- *Contamination-resistant type*

Sealed-in liquid type

- *High transparency low reflectance type*

Glass type

Acrylic resin type

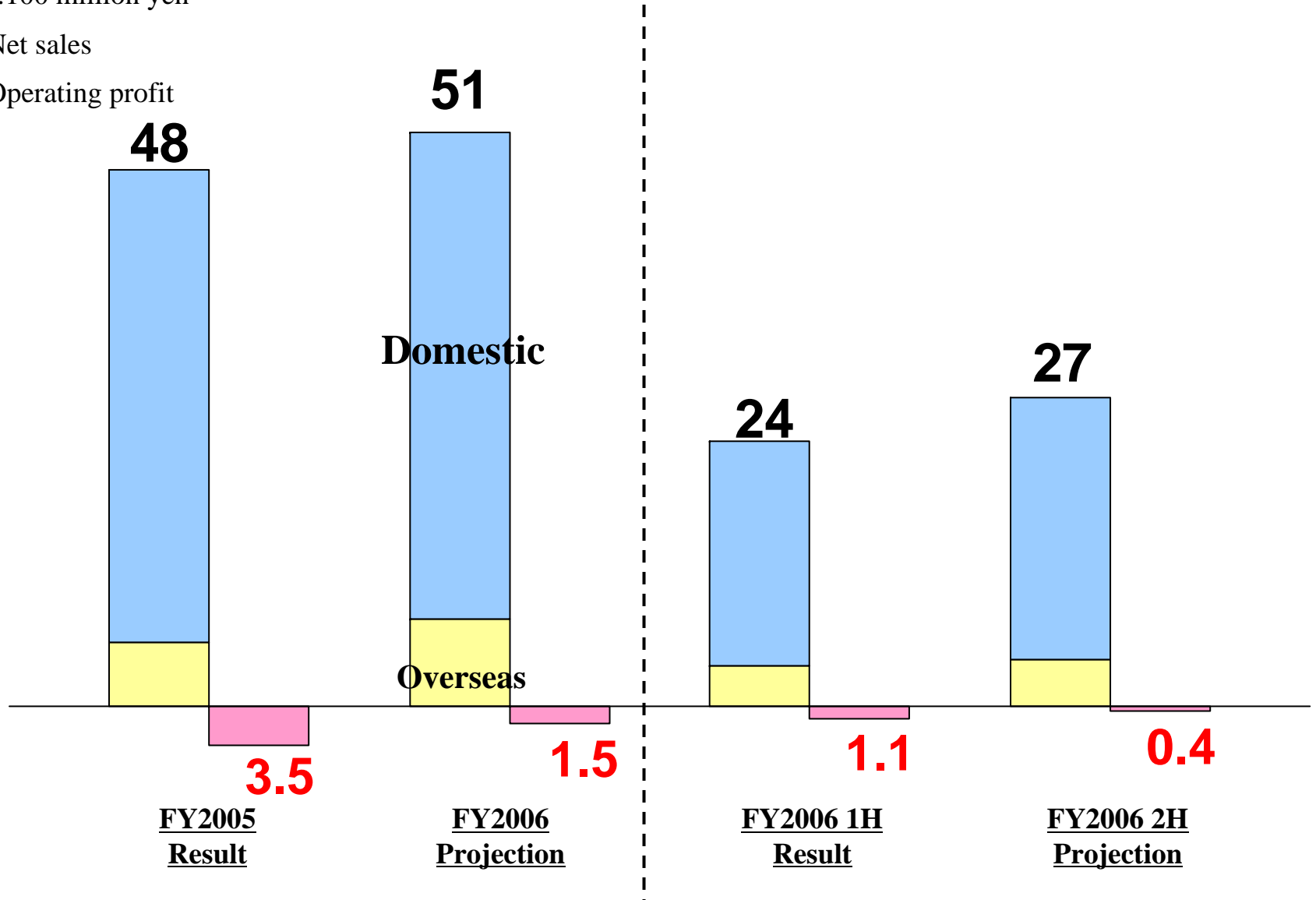


<Consolidate>Net sales and Operating profit

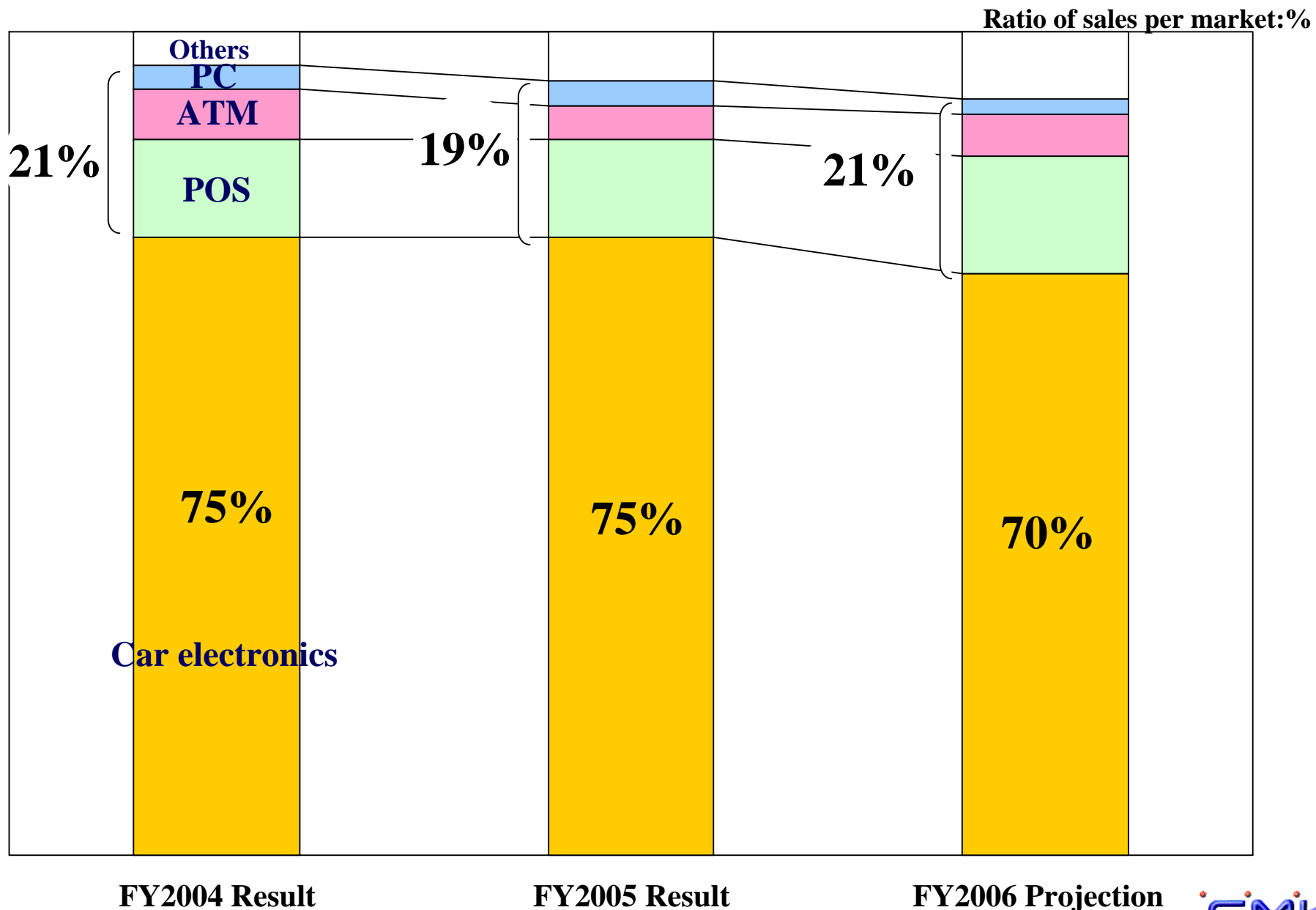
Unit:100 million yen

Net sales

Operating profit



TP Div's <Consolidated> market-specific ratio of sales



FY2006 key activity points

Achievement of planned sales(for improved profits)

★ 1 Marketing of differentiation products

- Touch panels of Glass+Glass,high transparency and low reflectance Film+Glass,force feedback,and integrated optical types

★ 2 Marketing in the overseas markets

Glass+Glass:Europe and USA

Film+Glass:USA

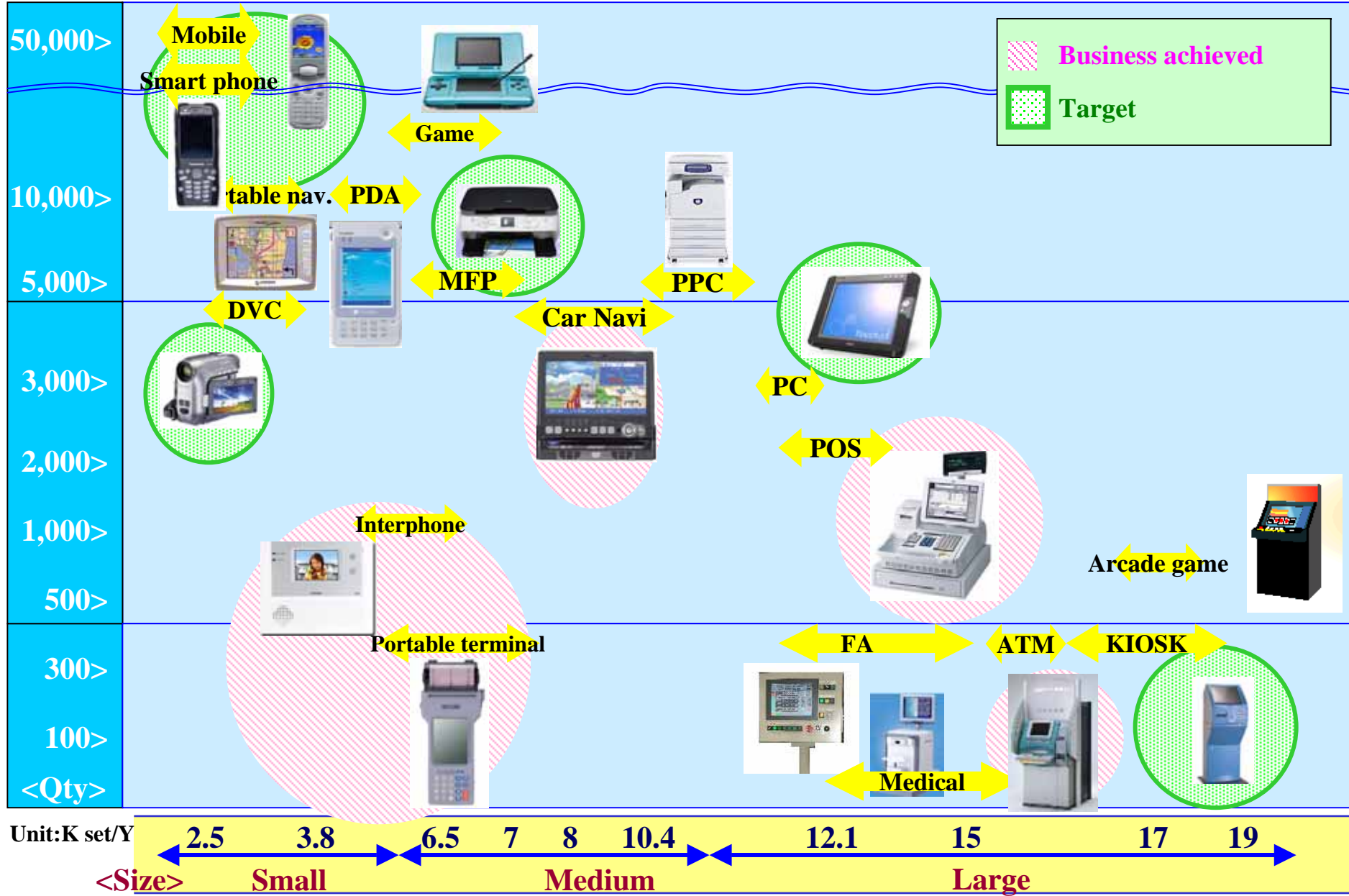
Optical system:USA and China

★ 3 Expansion of overseas production

- Improvement of production yields in the Philippines

- Production of integrated optical types in China(SMK-DG)

Markets under an intense focus (by size)



Force feedback touch panel

Car nav.



PDA/PC



Household elec.appliances



Portable terminals



PPC/MFP



POS



Optical touch panels

Shinkansen's cockpit seats



ATM Terminal

Optical touch panels & LCD module



User side

Resistance sensitive system & LCD module



Bank clerk side