

ANNUAL REPORT 2016

For the fiscal year ended March 31, 2016

Connection
System
Division



SMB Coaxial Connector
(FAKRA)

Functional
Components
Division



Small Coaxial
Camera Module

Research &
Development
Center



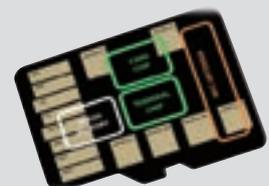
"BTS01 Series"
Bluetooth®
Smart Module

Touch Panel
Division



Full-Flat Structure Resistive
Touch Panel with
Force Feedback

SMK
LOGOMOTION



LGM Card

To Our Shareholders

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 94th fiscal year (from April 1, 2015, to March 31, 2016).

We look forward to your continuing support and encouragement.

June 2016

Yasumitsu Ikeda
President and CEO/COO



Performance Overview

During the fiscal year ended March 31, 2016, although the global economy maintained a moderate recovery path led by the favorable U.S. economy, the gradual economic expansion in the second half of the year was negatively affected by the slowdown of the Chinese economy and the decline of oil prices. The Japanese economy, also affected by the above factors, as well as the rapid appreciation of the yen as 2016 started, saw signs of instability in its growth.

The SMK Group achieved strong sales of products such as touch panels for car navigation systems and center consoles, as well as connectors for rearview cameras, in the car electronics market we focus on. Moreover, due to business expansion with our customers in the U.S. and the Chinese regions, sales of remote control units for internet protocol, as well as for over-the-top set-top boxes, have increased significantly.

As a result, the SMK Group saw increases both in net sales and operating income for the fiscal year ended March 31, 2016. Therefore, we set the annual dividend for the fiscal year at ¥14 per share, including a commemorative dividend for the SMK Group's 90th anniversary of ¥4 per share.

Towards a Company that can Grow Sustainably

As for the outlook for the next fiscal year, the SMK Group will continue to seek share expansion in its mainstay markets, including car electronics, information and communication, and distribution services for video, music, games, etc., while focusing on new markets such as ecology, energy, healthcare, wearable devices, and Internet of Things (IoT). Moreover, we received many business inquiries at "TEXPO2015," our technology exposition held in November, 2015, which we will follow up, alongside creating businesses with new technology and solutions through holding Mini-TEXPO for individual customers in and outside Japan.

Although the instable business environment is expected to persist, all employees strive to achieve targets, in line with the SMK Vision "Challenge, Creativity, Solutions", predict changes, turn them into chances, and make all-out efforts to build a company that is capable of growing sustainably.

CONTENTS

| | |
|------------|---|
| | To Our Shareholders |
| 1 | Financial Highlights |
| 2 | Overview of Consolidated Results by Division |
| 4 | SMK's New Lineup |
| 5 | Topics |
| 6 | Financial Section |
| 7 | Financial Review |
| 8 | Consolidated Balance Sheet |
| 10 | Consolidated Statement of Income |
| 10 | Consolidated Statement of Comprehensive Income |
| 11 | Consolidated Statement of Changes in Net Assets |
| 12 | Consolidated Statement of Cash Flows |
| 13 | Notes to Consolidated Financial Statements |
| 28 | Report of Independent Auditors |
| 29 | Officer Introduction |
| back cover | Corporate Information |

SMK Philosophy

SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strengths and creating advanced technology.

SMK Action Guidelines

- 1 Contribute to society with pride and confidence.
- 2 Be customer-oriented, with zeal and sincerity.
- 3 Challenge courageously for higher goals without fear of failure.
- 4 Trust and respect each other for a brighter working atmosphere.
- 5 Keep an open mind, and view SMK from a global perspective.

Financial Highlights

| Years ended and as of March 31 | Millions of yen | | Percent change 2015/2016 | Thousands of U.S. dollars |
|---|-----------------|----------|-----------------------------|------------------------------|
| | 2015 | 2016 | | |
| Operating Results | | | | |
| Net sales | ¥ 66,230 | ¥ 77,206 | 16.6 % | \$685,179 |
| Operating income | 2,113 | 4,171 | 97.4 | 37,016 |
| Profit attributable to owners of parent | 1,982 | 2,678 | 35.1 | 23,766 |

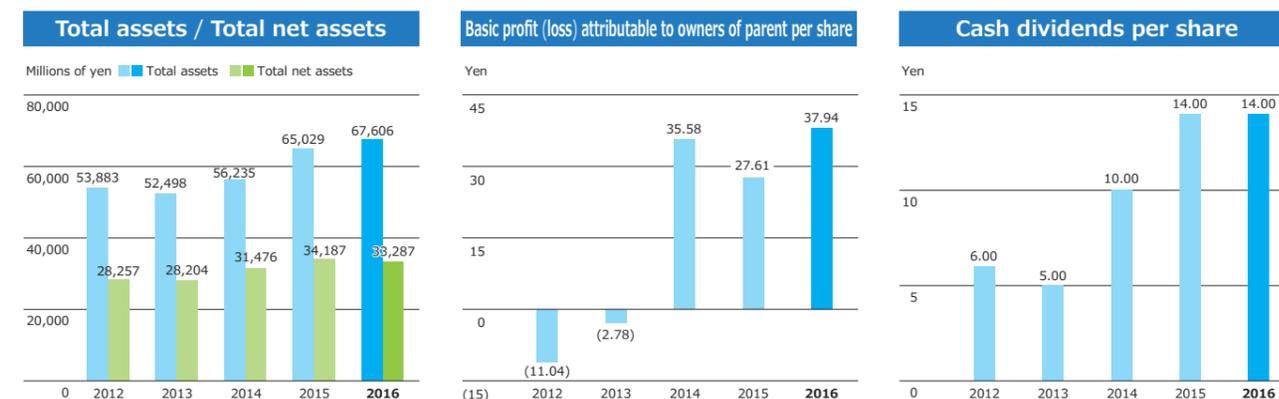
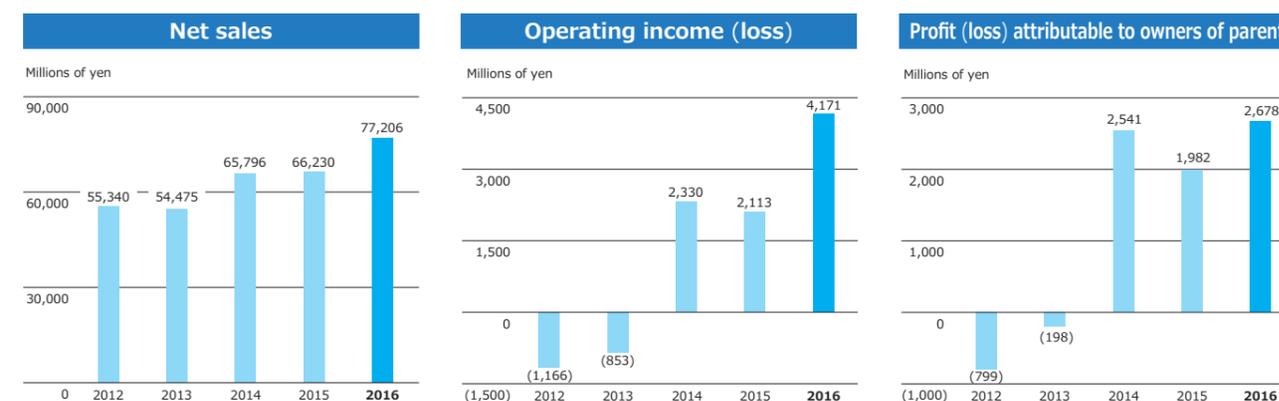
Financial Position

| | Yen | U.S. dollars |
|------------------|----------|--------------|
| Total assets | ¥ 65,029 | \$599,982 |
| Total net assets | 34,187 | 295,412 |

Per Share Data

| | Yen | U.S. dollars |
|---|---------|--------------|
| Profit attributable to owners of parent | | |
| Basic | ¥ 27.61 | \$ 0.34 |
| Diluted | 27.56 | 0.34 |
| Cash dividends | 14.00 | 0.12 |

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112.68 = U.S. \$1.00.



Overview of Consolidated Results by Division

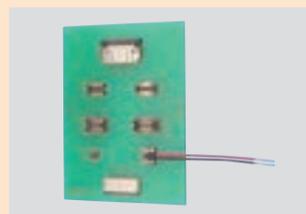
(Year ended March 31, 2016)

The many different electronic components that SMK produces are widely used by electronics manufacturers in and outside Japan. The markets for these components can be broadly classified into five markets: Communication Market, Information Market, Home Appliance Market, Car Electronics Market and Audio Visual Market.

Three divisions, namely the Connection System (CS) Division, the Functional Components (FC) Division and the Touch Panel (TP) Division, as well as the Research & Development Center, are responsible for developing products that continually meet market requirements in the wide range of markets outlined above. The three divisions handle operations ranging from product planning and design to mass production, whereas the Research & Development Center is primarily in charge of designing and developing products mainly in new fields.

In this section, we present an overview of our results achieved in each of the three divisions in the fiscal year under review.

Connection System Division



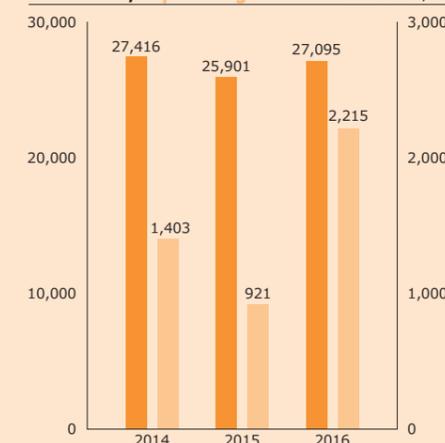
Major Products

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

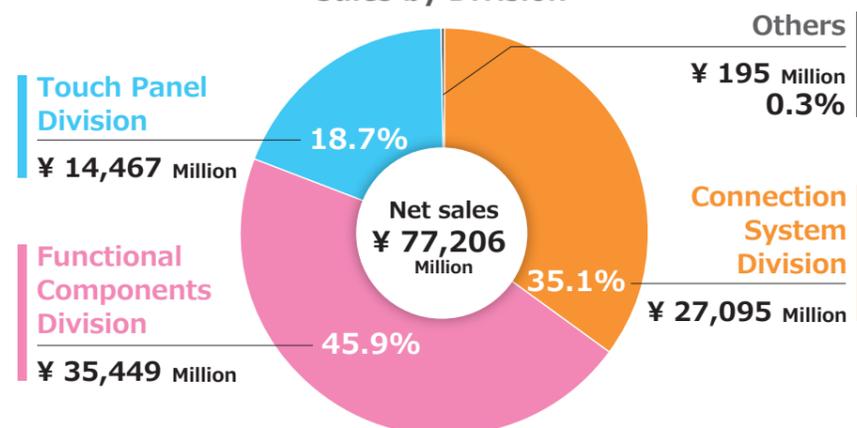
In our mainstay communication market, sales for connectors were strong, despite connectors for smartphones whose sales decreased drastically during the fourth quarter of the fiscal year. This was mainly due to customers in North America and China who are increasingly adopting our new products and promoting the employment of our products as standard connectors. In the car electronics market we are focusing on, we expanded sales of mainly connectors for rearview cameras, marketing them as safety driving products with significantly rising demand. On the other hand, due to changes in the ecological market, sales of connectors for photovoltaic modules dropped compared to the previous fiscal year. As a result of developing new markets, a new connector was adopted in markets related to healthcare, which led to a significant rise in its sales.

As a result, net sales of the Connection System Division amounted to ¥27,095 million, or a 4.6% increase year on year. Operating income was ¥2,215 million, a 140.5% increase year on year.

Net sales / Operating income Millions of yen



Sales by Division



Others: businesses of other electronic parts, lease, real-estate rental, factoring and worker dispatching undertakings.

Functional Components Division



Major Products

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

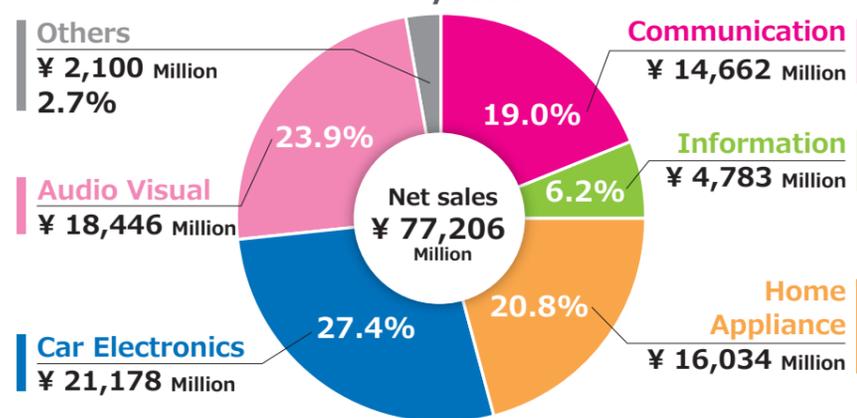
Sales of remote control units, our mainstay products, expanded significantly, with remote control units for overseas Internet Protocol that offer movies, music and game playing, as well as over-the-top set-top boxes, being particularly successful with U.S. customers. Moreover, sales further expanded with the commencement of business in the Chinese region. Sales of housing equipment, such as home appliances, with a focus on air conditioners, and sanitary products expanded significantly due to sales from new customers, as well as an increase in the market share. For units, in addition to automotive camera modules and capacitance multi-touch pad for automotive applications, products for housing equipment were also successful. Furthermore, sales of small switches for smartphones and the car electronics market also increased significantly year on year.

As a result, net sales of the Functional Components Division amounted to ¥35,449 million, or a 41.6% increase year on year. Operating income was ¥370 million (compared to an operating loss of ¥723 million in the previous fiscal year).

Net sales / Operating income (loss) Millions of yen



Sales by Market



Others: markets of Medical Equipment, Rehabilitation Equipment, Industrial Robot, NC Machine, Electrical Measuring Equipment, etc.

Touch Panel Division



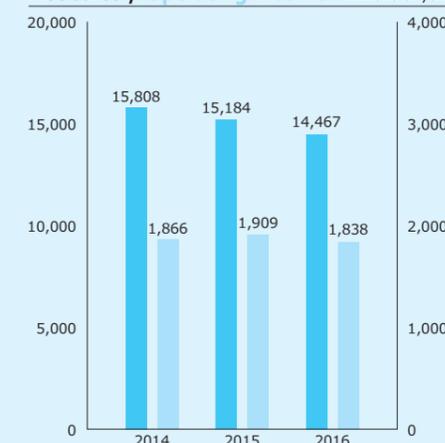
Major Products

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

Sales of our mainstay products for the car electronics market decreased despite sales of touch panels for car navigation systems and center consoles being maintained at a high level by North American customers. This is mainly due to production adjustments of some customers in the Chinese region, Korea and Taiwan, as well as adjustments made as a result of the economic situation in the ASEAN market. Moreover, due to a tough price competition, sales of touch panels for ATMs in the Chinese region declined year on year.

As a result, net sales of the Touch Panel Division amounted to ¥14,467 million, or a 4.7% decrease year on year. Operating income was ¥1,838 million, or a 3.7% decrease year on year.

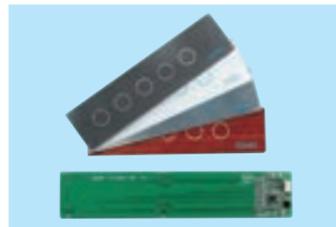
Net sales / Operating income Millions of yen



SMK's New Lineup

New Product Research & Development Center Piezoelectric Seamless Touch Switch

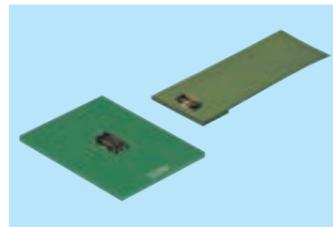
This product utilizes the piezoelectric effect that generates a weak electric charge by bending the piezoelectric element with the pressure when it is pushed. The surface of the switches can be made from different materials, including metal, resin or wood, and the look and feel of these materials are retained. Moreover, since it utilizes physical pressure, the product can be operated accurately even under situations with various interference. Going forward, we will work to expand the business by commercializing a piezoelectric seamless touch switch supposed to suit more uses.



Applications:
Home Appliances, AV Devices,
Housing Equipment,
Medical Equipment, etc.

New Product CS Division FPC to Board Connectors "FB-8 Series" for Battery Connection

We have newly developed this battery connector in response to the need for the miniaturization and high electric currents of smartphones and tablets. Categorized as having the lowest profile and the smallest in the industry, this product boasts a mated height of 0.6 mm, and has dimensions of width 2.3 mm x height 4.35 mm. At the same time, the rated current of its power terminal is set to 8A, an extremely high current, which allows for a product that is thin and high current to charge quickly.



Applications:
Connect with Internal Batteries
in Mobile Devices
(Smartphones, Tablets)

New Product FC Division ECHONETLite™ Wired LAN Adaptor

This product is a wired LAN adaptor compatible with ECHONETLite™, a product that allows the easy construction of a network by connecting home appliances or domestic products such as boilers, air conditioners, and door keys. Utilizing various interfaces such as UART and RS-232C, this product is made for Home IoT connecting home appliances and housing equipment from different manufacturers. Since the connection is made using sockets and switch boxes commonly found on the market, cables are hidden from sight. We have started to receive orders and organize sales activities, branding it as a product that can contribute to the future IoT society.

*ECHONETLite™ is a trademark of ECHONET CONSORTIUM.



Applications:
Control and Cloud Management
of Home Appliances and Housing
Equipment

New Product TP Division "CapSleek Touch™" Capacitive Touch Panel with a Curved Surface

Demand for touch panels with a curved surface has been rising due to the enhancement of designs of automotive instrument panels. To respond to these market demands, we have developed "CapSleek Touch™," a capacitive touch panel with a curved surface. This product, receiving mainly positive reviews from the market, achieves its curved surface by utilizing a film sensor, while special molding technology is used in manufacturing its operating cover panel. Moreover, its design is further enhanced with various decorative technologies.

*CapSleek Touch™ is currently undergoing trademark registration in Japan.



Applications:
Automotive Center Consoles

Topics

TEXPO2015

November 4 to 6, 2015, our technology exposition, "TEXPO2015," was held at GardenCity SHINAGAWA, in Tokyo. This was the 9th TEXPO since the 1st in 1985, and with the theme "Creative Connectivity." We exhibited approximately 260 new products, new technologies, and technologies for the near future. Products that allowed visitors to try out and product demonstrations were especially popular, therefore, "TEXPO2015" attracted a total of 2,538 visitors, surpassing last time's count.



Network Zone
We showcased our new products to connect "people, things and information" for smart house and the IoT market, to realized "comfortable lifestyle."



Service Gateway



Small Component Zone
Small Components for
Wearable Devices



Human Interface Zone
Module for Active Mirror
with Air Gesture



**RF/High Speed
Transmission Zone**
USB Type-C™ Connector

* USB Type-C™ is a trademark of
USB Implementers Forum.



Future Technology Zone
Introduction of the Next
Generation Healthcare System

Establishment of SMK-LOGOMOTION Corporation

We have established a joint venture, "SMK-LOGOMOTION Corporation", with the Slovakian company Logomotion, s.r.o. as of May 7, 2015. SMK-LOGOMOTION has plans to develop various businesses by utilizing technology related to Near Field Communication, held by Logomotion.



Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

| Years ended and as of March 31 | Millions of yen | | | | | Thousands of U.S. dollars |
|--|-----------------|----------|----------|----------|-----------------|---------------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2016 |
| Operating Results | | | | | | |
| Net sales | ¥ 55,340 | ¥ 54,475 | ¥ 65,796 | ¥ 66,230 | ¥ 77,206 | \$ 685,179 |
| Operating income (loss) | (1,166) | (853) | 2,330 | 2,113 | 4,171 | 37,016 |
| Profit (loss) attributable to owners of parent | (799) | (198) | 2,541 | 1,982 | 2,678 | 23,766 |
| Financial Position | | | | | | |
| Total assets | ¥ 53,883 | ¥ 52,498 | ¥ 56,235 | ¥ 65,029 | ¥ 67,606 | \$ 599,982 |
| Total net assets | 28,257 | 28,204 | 31,476 | 34,187 | 33,287 | 295,412 |
| Per Share Data | | | | | | |
| Total net assets | ¥ 392.59 | ¥ 394.81 | ¥ 437.84 | ¥ 475.42 | ¥ 471.02 | \$ 4.18 |
| Profit (loss) attributable to owners of parent | | | | | | |
| Basic | (11.04) | (2.78) | 35.58 | 27.61 | 37.94 | 0.34 |
| Diluted | — | — | 35.52 | 27.56 | 37.86 | 0.34 |
| Cash dividends | 6.00 | 5.00 | 10.00 | 14.00 | 14.00 | 0.12 |

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112.68 = U.S. \$1.00.

SMK's net sales for the fiscal year ended March 31, 2016, increased 16.6% year on year to ¥77,206 million (US\$685,179 thousand), whereas operating income of ¥4,171 million (US\$37,016 thousand) and profit attributable to owners of parent of ¥2,678 million (US\$ 23,766 thousand) were recorded, on a consolidated basis.

Net Sales

Our products for the information and communication market enjoyed favorable sales owing to the rapid spread of smartphones and tablet PCs. Sales of products for the automobile market grew chiefly in overseas markets. Sales for new markets, including wearable devices, medical and healthcare, increased steadily.

As a result, consolidated net sales were ¥77,206 million (US\$685,179 thousand), up 16.6% year on year.

Operating Income

Consolidated operating income amounted to ¥4,171 million (US\$37,016 thousand), as a result of efforts to proactively develop new products and provide more competitive prices, as well as continued cost-cutting efforts.

Profit attributable to owners of parent

Although there was foreign exchange loss due to yen appreciation, consolidated profit attributable to owners of parent was ¥2,678 million (US\$23,766 thousand).

Total Assets / ROA

As of March 31, 2016, total assets were ¥67,606 million (US\$599,982 thousand), with ROA of 4.0%.

Total Net Assets / ROE

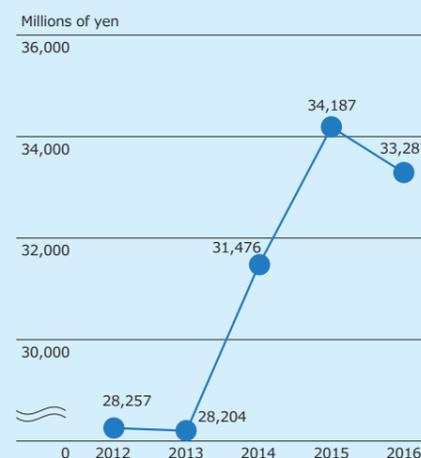
As of March 31, 2016, total net assets were ¥33,287 million (US\$295,412 thousand), with ROE of 8.0%.

Cash Flows

Net cash provided by operating activities amounted to ¥6,211 million (US\$55,121 thousand), net cash used in investing activities totaled ¥7,182 million (US\$63,738 thousand) and net cash provided by financing activities was ¥1,636 million (US\$14,519 thousand).

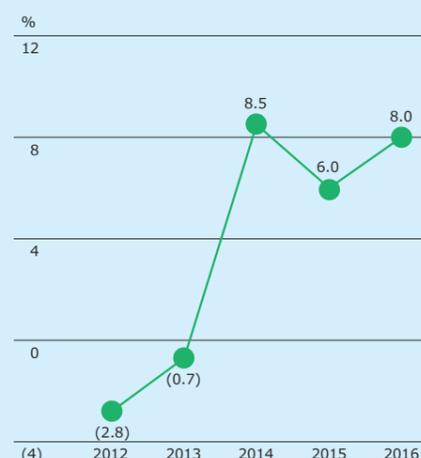
Total net assets

(As of March 31)



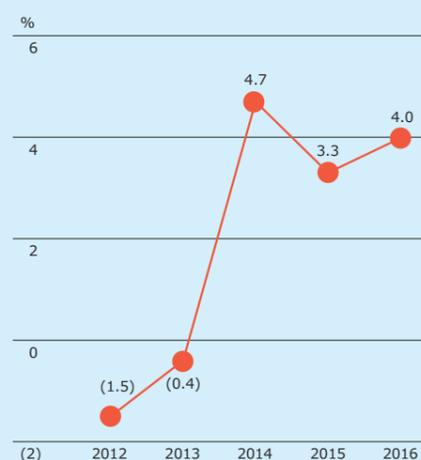
Return on equity (ROE)

(Years ended March 31)



Return on assets (ROA)

(Years ended March 31)



Consolidated Balance Sheet

SMK Corporation and Consolidated Subsidiaries
As of March 31, 2015 and 2016

Consolidated Balance Sheets

| Assets | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|--|-----------------|----------|------------------------------------|
| | 2015 | 2016 | 2016 |
| Current assets | | | |
| Cash and cash equivalents (Note 16) | ¥ 9,999 | ¥ 10,668 | \$ 94,675 |
| Time deposits (Note 16) | 183 | 110 | 976 |
| Notes and accounts receivable, trade (Note 16) | 16,979 | 16,509 | 146,512 |
| Allowance for doubtful accounts | (44) | (47) | (417) |
| Inventories (Note 3) | 6,422 | 7,187 | 63,782 |
| Deferred tax assets (Note 13) | 551 | 657 | 5,831 |
| Other current assets (Note 16 and 21) | 3,241 | 3,282 | 29,127 |
| | 37,333 | 38,368 | 340,504 |
| Investments and long-term loans | | | |
| Investment securities (Note 16 and 17) | 3,104 | 2,406 | 21,353 |
| Long-term loans receivable | 108 | 96 | 852 |
| Asset for retirement benefits (Note 6) | 841 | 541 | 4,801 |
| Other investments (Note 21) | 654 | 593 | 5,263 |
| Allowance for doubtful accounts | (108) | (60) | (532) |
| | 4,600 | 3,577 | 31,745 |
| Property, plant and equipment (Note 5, 12 and 19) | | | |
| Land (Note 4) | 7,449 | 7,426 | 65,903 |
| Buildings | 20,824 | 21,544 | 191,196 |
| Machinery and vehicles | 21,158 | 21,181 | 187,975 |
| Tooling and office furniture | 23,058 | 23,492 | 208,484 |
| Construction in progress | 438 | 213 | 1,890 |
| | 72,928 | 73,858 | 655,467 |
| Less-accumulated depreciation | (50,394) | (50,946) | (452,133) |
| | 22,534 | 22,912 | 203,337 |
| Other assets | | | |
| Deferred tax assets (Note 13) | 242 | 216 | 1,917 |
| Goodwill | — | 380 | 3,372 |
| Intangible assets (Note 12) | 318 | 2,151 | 19,089 |
| | 561 | 2,748 | 24,388 |
| Total assets | ¥ 65,029 | ¥ 67,606 | \$ 599,982 |

See accompanying notes to consolidated financial statements.

| Liabilities and net assets | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|--|-----------------|----------|------------------------------------|
| | 2015 | 2016 | 2016 |
| Current liabilities | | | |
| Short-term loans payable (Note 5 and 16) | ¥ 7,605 | ¥ 12,287 | \$ 109,043 |
| Notes and accounts payable, trade (Note 16) | 4,542 | 4,808 | 42,670 |
| Accrued income taxes | 594 | 489 | 4,340 |
| Accrued bonuses | 1,021 | 966 | 8,573 |
| Accrued directors' and officers' bonuses | 70 | 75 | 666 |
| Accounts payable, non-trade (Note 16) | 5,970 | 6,245 | 55,422 |
| Other current liabilities | 1,448 | 1,793 | 15,912 |
| | 21,253 | 26,666 | 236,652 |
| Long-term liabilities | | | |
| Long-term debt (Note 5 and 16) | 6,641 | 5,258 | 46,663 |
| Deferred tax liabilities (Note 13) | 1,776 | 1,121 | 9,949 |
| Accrued directors' and officers' retirement benefits | 138 | 188 | 1,668 |
| Liability for retirement benefits (Note 6) | 56 | 49 | 435 |
| Other long-term liabilities | 976 | 1,033 | 9,168 |
| | 9,589 | 7,651 | 67,900 |
| Net assets | | | |
| Shareholders' equity (Note 7) | | | |
| Common stock | | | |
| Authorized : 195,961,274 shares | | | |
| Issued and outstanding : 79,000,000 shares | 7,996 | 7,996 | 70,962 |
| Capital surplus | 12,325 | 12,309 | 109,239 |
| Retained earnings | 16,537 | 18,149 | 161,067 |
| Treasury stock | (3,417) | (4,353) | (38,632) |
| | 33,442 | 34,102 | 302,645 |
| Accumulated other comprehensive income | | | |
| Net unrealized gains (losses) on other securities | 608 | 176 | 1,562 |
| Foreign currency translation adjustments | (697) | (1,506) | (13,365) |
| Retirement benefits asset and liability adjustments | 798 | 223 | 1,979 |
| | 709 | (1,106) | (9,815) |
| Share subscription rights (Note 8) | 35 | 25 | 222 |
| Non-controlling interests | — | 266 | 2,361 |
| | 34,187 | 33,287 | 295,412 |
| Total liabilities and net assets | ¥ 65,029 | ¥ 67,606 | \$ 599,982 |

Consolidated Statement of Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|-----------------|----------|--|
| | 2015 | 2016 | 2016 |
| Net sales (Note 20) | ¥ 66,230 | ¥ 77,206 | \$ 685,179 |
| Cost of sales (Note 3 and 9) | 54,728 | 62,412 | 553,887 |
| Selling, general and administrative expenses (Note 9 and 10) | 9,388 | 10,622 | 94,267 |
| Operating income (Note 20) | 2,113 | 4,171 | 37,016 |
| Other income | | | |
| Interest and dividend income | 106 | 103 | 914 |
| Rent income | 953 | 1,263 | 11,209 |
| Foreign exchange gain, net | 2,199 | — | — |
| Gain on sales of fixed assets (Note 11) | 101 | 134 | 1,189 |
| Gain on sales of investment securities (Note 17) | 90 | 294 | 2,609 |
| Other | 292 | 307 | 2,725 |
| Total other income | 3,744 | 2,102 | 18,655 |
| Other expenses | | | |
| Interest expense | 124 | 124 | 1,100 |
| Rent expense | 460 | 623 | 5,529 |
| Foreign exchange loss, net | — | 1,334 | 11,839 |
| Loss on disposal of fixed assets (Note 11) | 82 | 209 | 1,855 |
| Loss on impairment of fixed assets (Note 12) | 1,361 | — | — |
| Loss on liquidation of subsidiaries and affiliates | — | 198 | 1,757 |
| Other | 170 | 212 | 1,881 |
| Total other expenses | 2,199 | 2,701 | 23,971 |
| Profit before income taxes | 3,658 | 3,573 | 31,709 |
| Income taxes (Note 13) | | | |
| Current | 1,098 | 1,229 | 10,907 |
| Deferred | 578 | (249) | (2,210) |
| Profit | 1,982 | 2,592 | 23,003 |
| Loss attributable to non-controlling interests | — | (85) | (754) |
| Profit attributable to owners of parent | ¥ 1,982 | ¥ 2,678 | \$ 23,766 |

| | Yen | | U.S. dollars (Note 2) |
|---|----------|----------|--------------------------|
| | 2015 | 2016 | 2016 |
| Per share data (Note 15) | | | |
| Total net assets | ¥ 475.42 | ¥ 471.02 | \$ 4.18 |
| Profit attributable to owners of parent | | | |
| Basic | 27.61 | 37.94 | 0.34 |
| Diluted | 27.56 | 37.86 | 0.34 |
| Cash dividends | 14.00 | 14.00 | 0.12 |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|-----------------|---------|--|
| | 2015 | 2016 | 2016 |
| Profit | ¥ 1,982 | ¥ 2,592 | \$ 23,003 |
| Other comprehensive income (Note 14) | | | |
| Net unrealized gains (losses) on other securities | 334 | (431) | (3,825) |
| Foreign currency translation adjustments | 1,473 | (809) | (7,180) |
| Retirement benefits asset and liability adjustments | 335 | (574) | (5,094) |
| Total other comprehensive income | 2,143 | (1,815) | (16,108) |
| Comprehensive income | ¥ 4,125 | ¥ 776 | \$ 6,887 |
| Total comprehensive income attributable to: | | | |
| Owners of parent | ¥ 4,125 | ¥ 862 | \$ 7,650 |
| Non-controlling interests | ¥ — | ¥ (85) | \$ (754) |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

| | Millions of yen | | | | | | | | | | | | |
|--|----------------------------------|--------------|-----------------|-------------------|----------------|--|---|--|---|--|-------------------------------|---------------------------|------------------|
| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | |
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gains (losses) on other securities | Foreign currency translation adjustments | Retirement benefits asset and liability adjustments | Total accumulated other comprehensive income | Subscription rights to shares | Non-controlling interests | Total net assets |
| Balance at April 1, 2014 | 79,000,000 | ¥7,996 | ¥12,326 | ¥15,981 | ¥(3,433) | ¥32,871 | ¥ 274 | ¥(2,171) | ¥ 462 | ¥(1,434) | ¥ 39 | ¥ — | ¥31,476 |
| Cumulative effect of change in accounting principle | | | | (696) | | (696) | | | | | | | (696) |
| Restated balance at April 1, 2014 | | 7,996 | 12,326 | 15,285 | (3,433) | 32,175 | 274 | (2,171) | 462 | (1,434) | 39 | — | 30,780 |
| Cash dividends paid | | | | (719) | | (719) | | | | | | | (719) |
| Change in the scope of consolidation | | | | (10) | | (10) | | | | | | | (10) |
| Profit attributable to owners of parent | | | | 1,982 | | 1,982 | | | | | | | 1,982 |
| Acquisition of treasury stock | | | | | (7) | (7) | | | | | | | (7) |
| Disposition of treasury stock | | | | | 23 | 23 | | | | | | | 23 |
| Net changes in items other than shareholders' equity | | | (1) | | | | 334 | 1,473 | 335 | 2,143 | (4) | | 2,139 |
| Total changes | — | — | (1) | 1,252 | 16 | 1,267 | 334 | 1,473 | 335 | 2,143 | (4) | — | 3,406 |
| Balance at March 31, 2015 | 79,000,000 | 7,996 | 12,325 | 16,537 | (3,417) | 33,442 | 608 | (697) | 798 | 709 | 35 | — | 34,187 |
| Balance at April 1, 2015 | 79,000,000 | 7,996 | 12,325 | 16,537 | (3,417) | 33,442 | 608 | (697) | 798 | 709 | 35 | — | 34,187 |
| Cumulative effect of change in accounting principle | | | | | | — | | | | | | | — |
| Restated balance at April 1, 2015 | | 7,996 | 12,325 | 16,537 | (3,417) | 33,442 | 608 | (697) | 798 | 709 | 35 | — | 34,187 |
| Cash dividends paid | | | | (1,066) | | (1,066) | | | | | | | (1,066) |
| Change in the scope of consolidation | | | | | | | | | | | | | — |
| Profit attributable to owners of parent | | | | 2,678 | | 2,678 | | | | | | | 2,678 |
| Acquisition of treasury stock | | | | | (1,015) | (1,015) | | | | | | | (1,015) |
| Disposition of treasury stock | | | | | 79 | 79 | | | | | | | 79 |
| Net changes in items other than shareholders' equity | | | (16) | | | | (431) | (809) | (574) | (1,815) | (10) | 266 | (1,559) |
| Total changes | — | — | (16) | 1,611 | (935) | 659 | (431) | (809) | (574) | (1,815) | (10) | 266 | (899) |
| Balance at March 31, 2016 | 79,000,000 | ¥7,996 | ¥12,309 | ¥18,149 | ¥(4,353) | ¥34,102 | ¥ 176 | ¥(1,506) | ¥ 223 | ¥(1,106) | ¥ 25 | ¥266 | ¥33,287 |

| | Thousands of U.S. dollars (Note 2) | | | | | | | | | | | | |
|--|------------------------------------|-----------------|-------------------|----------------|----------------------------|---|--|---|--|-------------------------------|---------------------------|------------------|----------|
| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized gains (losses) on other securities | Foreign currency translation adjustments | Retirement benefits asset and liability adjustments | Total accumulated other comprehensive income | Subscription rights to shares | Non-controlling interests | Total net assets | |
| Balance at April 1, 2015 | \$70,962 | \$109,381 | \$146,761 | \$(30,325) | \$296,787 | \$ 5,396 | \$(6,186) | \$ 7,082 | \$ 6,292 | \$311 | \$ — | \$303,399 | |
| Cumulative effect of change in accounting principle | | | | | — | | | | | | | — | |
| Restated balance at April 1, 2015 | 70,962 | 109,381 | 146,761 | (30,325) | 296,787 | 5,396 | (6,186) | 7,082 | 6,292 | 311 | — | 303,399 | |
| Cash dividends paid | | | | (9,460) | (9,460) | | | | | | | (9,460) | |
| Change in the scope of consolidation | | | | | | | | | | | | — | |
| Profit attributable to owners of parent | | | | 23,766 | 23,766 | | | | | | | 23,766 | |
| Acquisition of treasury stock | | | | | (9,008) | (9,008) | | | | | | (9,008) | |
| Disposition of treasury stock | | | | | 701 | 701 | | | | | | 701 | |
| Net changes in items other than shareholders' equity | | | (142) | | | | (3,825) | (7,180) | (5,094) | (16,108) | (89) | 2,361 | (13,836) |
| Total changes | — | (142) | 14,297 | (8,298) | 5,848 | (3,825) | (7,180) | (5,094) | (16,108) | (89) | 2,361 | (7,978) | |
| Balance at March 31, 2016 | \$70,962 | \$109,239 | \$161,067 | \$(38,632) | \$302,645 | \$ 1,562 | \$(13,365) | \$ 1,979 | \$ (9,815) | \$222 | \$2,361 | \$295,412 | |

Consolidated Statement of Cash Flows

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 2) |
|---|-----------------|-----------------|--|
| | 2015 | 2016 | 2016 |
| Cash flows from operating activities | | | |
| Profit before income taxes | ¥ 3,658 | ¥ 3,573 | \$ 31,709 |
| Depreciation and amortization | 3,669 | 3,970 | 35,233 |
| Loss on impairment of fixed assets | 1,361 | — | — |
| Amortization of goodwill | — | 86 | 763 |
| Increase (decrease) in accrued bonuses | (55) | (51) | (453) |
| Increase (decrease) in accrued directors' and officers' retirement benefits | (42) | 38 | 337 |
| Increase (decrease) in asset and liability for retirement benefits | (537) | (584) | (5,183) |
| Interest and dividend income | (106) | (103) | (914) |
| Interest expense | 124 | 124 | 1,100 |
| Gain (loss) on sales of investment securities | (90) | (294) | (2,609) |
| Loss on disposal of fixed assets | 82 | 209 | 1,855 |
| Loss on liquidation of subsidiaries and affiliates | — | 198 | 1,757 |
| (Increase) decrease in notes and accounts receivable, trade | 258 | (959) | (8,511) |
| (Increase) decrease in inventories | 163 | (1,190) | (10,561) |
| Increase (decrease) in notes and accounts payable, trade | (1,952) | 1,887 | 16,747 |
| Increase (decrease) in accounts payable, non-trade | (56) | 106 | 941 |
| Other | (499) | 389 | 3,452 |
| Subtotal | 5,978 | 7,399 | 65,664 |
| Interest and dividends received | 128 | 104 | 923 |
| Interest paid | (127) | (118) | (1,047) |
| Income taxes paid | (1,151) | (1,173) | (10,410) |
| Other | (7) | — | — |
| Net cash provided by (used in) operating activities | 4,820 | 6,211 | 55,121 |
| Cash flows from investing activities | | | |
| Payments into time deposits | (163) | (108) | (958) |
| Proceeds from time deposits | 158 | 169 | 1,500 |
| Purchases of fixed assets | (4,086) | (5,265) | (46,725) |
| Proceeds from sales of fixed assets | 184 | 107 | 950 |
| Purchases of intangible fixed assets | (187) | (2,362) | (20,962) |
| Purchases of investment securities | — | (35) | (311) |
| Proceeds from sales of investment securities | 125 | 360 | 3,195 |
| Purchase of subsidiaries' shares resulting in changes in scope of consolidation | (1,991) | (37) | (328) |
| Payments for execution of loans | (46) | (84) | (745) |
| Collection of loans receivable | 70 | 74 | 657 |
| Other | (4) | — | — |
| Net cash provided by (used in) investing activities | (5,938) | (7,182) | (63,738) |
| Cash flows from financing activities | | | |
| Increase (decrease) in short-term loans payable | 909 | 4,700 | 41,711 |
| Proceeds from long-term debt | 3,200 | 600 | 5,325 |
| Payments of long-term debt | (3,487) | (2,005) | (17,794) |
| Purchases of treasury stock | (6) | (1,014) | (8,999) |
| Proceeds from sales of treasury stock | 13 | 65 | 577 |
| Proceeds from non-controlling shareholders | — | 352 | 3,124 |
| Dividends paid | (716) | (1,062) | (9,425) |
| Other | (68) | — | — |
| Net cash provided by (used in) financing activities | (155) | 1,636 | 14,519 |
| Effect of exchange rate changes on cash and cash equivalents | 125 | 3 | 27 |
| Increase (decrease) in cash and cash equivalents | (1,148) | 668 | 5,928 |
| Cash and cash equivalents at beginning of the year | 11,134 | 9,999 | 88,738 |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | 14 | — | — |
| Cash and cash equivalents at end of the year | ¥ 9,999 | ¥ 10,668 | \$ 94,675 |

Notes to Consolidated Financial Statements

SMK Corporation and Consolidated Subsidiaries

Note 1. Summary of significant accounting policies

(a) Basis of presenting financial statements

The accompanying consolidated financial statements of SMK Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. For the purpose of this document, certain reclassifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. In addition, certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation.

(b) Basis of consolidation and investments in affiliated companies

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries over which substantial control is exercised either through majority ownership of voting stock and/or by other means.

All significant intercompany balances and transactions have been eliminated in consolidation.

Certain foreign subsidiaries' fiscal period ends on December 31, which differs from the year-end date of the Company; however, the accounts of these companies were tentatively closed as of March 31 and the necessary adjustments for consolidation were made.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method. Consolidated profit attributable to owners of parent includes the Company's equity in the current profit attributable to owners of parent or loss of such companies, after the elimination of unrealized intercompany profits. All assets and liabilities of the Company's subsidiaries are revalued at the acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if immaterial.

(c) Scope of consolidation

Number of consolidated subsidiaries: 30

The Company established SMK-LOGOMOTION Corporation in May 2015 and acquired shares of Mitec Co., Ltd. in December 2015, which were newly included in the scope of consolidation.

SMK Europe N.V. and SMK (U.K.) Ltd. were liquidated for the years ended March 31, 2016, which were excluded from the scope of consolidation.

(d) Application of equity method of accounting

Number of affiliated companies accounted for by the equity method: 1

(e) Translation of foreign currencies

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the appropriate year-end exchange rates. Shareholders' equity, which is translated at rates of exchange prevailing at the time the transactions occurred. Revenue and expense accounts are translated at the average rates of exchange prevailing during the year. Differences arising from the translation are presented as translation adjustments in the consolidated financial statements.

(f) Cash and cash equivalents

Cash and cash equivalents are composed of cash and time deposits all of which are low-risk, short-term financial instruments readily convertible into cash.

(g) Inventories

Inventories are mainly stated at the lower of cost or market. The following inventories are measured principally by their respective methods:

Finished products: Retail cost method

Work in process: Actual raw material cost, determined by the most recent purchase cost method, plus direct labor costs and manufacturing overheads

Raw materials and supplies: Most recent purchase cost method

Consolidated subsidiaries adopt mainly the moving average method.

(h) Securities

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(i) Derivatives

Derivatives are stated at fair value.

- (j) Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated principally by the declining-balance method for the Company and its domestic subsidiaries, and by the straight-line method mainly for foreign subsidiaries. Certain buildings of the Company and its domestic subsidiaries acquired on or after April 1, 1998 are depreciated by the straight-line method.
The estimated useful lives of the assets are as follows:
Buildings: 10 to 50 years
Machinery and vehicles: 4 to 10 years
Tooling and office furniture: 2 to 6 years
The residual values of the property, plant and equipment acquired on or before March 31, 2007 are depreciated equally over a period of 5 years starting from the year following the year in which they have been depreciated up to their depreciable limit or 5% of the acquisition cost.
- (k) Intangible assets
Amortization of intangible assets is calculated by the straight-line method. Software for own use is amortized based on the utilizable period (5 years).
Goodwill is amortized by the straight-line method mainly over 5 years.
- (l) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at the amount of estimated uncollectable accounts, based on individual collectability with respect to identified doubtful receivables and past experience of doubtful receivables.
- (m) Accrued bonus
Accrued bonuses are provided on the estimate of the amounts to be paid in the future by the Company, domestic consolidated subsidiaries and certain overseas subsidiaries based on an accrual basis at the balance sheet date.
- (n) Accrued directors' and officers' bonuses
Accrued directors' and officers' bonuses are provided on the estimate of the amounts to be paid subsequent to the balance sheet date.
- (o) Accrued directors' and officers' retirement benefits
Accrued directors' and officers' retirement benefits have been provided at an amount equal to 100% of the amount which would be required to be paid based on the Company's bylaws if all directors and officers resigned from the Company on the balance sheet date.
- (p) Retirement benefits
Asset for retirement benefits and liability for retirement benefits for employees are recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date.
The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of employees.
- (q) Hedge accounting
(1) Method of hedge accounting
The exceptional method of hedge accounting is applied for the transactions of interest rate swaps, in cases meeting certain conditions.
(2) Hedge instrument and hedged item
Hedge instrument: interest rate swap
Hedged item: interest rate for long-term debt subject to interest rate fluctuations.
(3) Hedge policy
The Company uses interest rate swaps to avoid risks from interest rate fluctuations on borrowings, only when approved by the management.
(4) Assessment of hedge effectiveness
As the exceptional method is applied for interest rate swap, the assessment of hedge effectiveness is omitted.
- (r) Income taxes
Deferred income taxes are recognized based on the differences between financial reporting and the tax bases of the assets and liabilities and are calculated using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.
- (s) Per share information
Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders and average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.
Net assets per share is computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the balance sheet date. Cash dividends per share shown for each period in the consolidated statement of income represent the dividends applicable to the respective period.

- (t) Consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Nondeductible consumption taxes are expensed in the consolidated financial statements.
- (u) Standards issued but not yet effective
Implementation Guidance on Recoverability of Deferred Tax Assets
On March 28, 2016, the Accounting Standards Board of Japan (ASBJ) issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26).
(1) Overview
Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of Japanese Institution of Certified Public Accountants Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.
Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
Category requirements for (Category 2) and (Category 3)
Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)
(2) Scheduled date of adoption
The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.
(3) Impact of adopting revised implementation guidance
The Company is currently evaluating the effect of adopting these revised implementation guidance on its consolidated financial statements.
- (v) Change in method of accounting
The Company adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 hereinafter "Business Combinations Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 hereinafter "Consolidated Financial Statements Standard") and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 hereinafter "Business Divestitures Standard"), etc. effective from April 1, 2015. As a result the Company's accounting policies have been changed; the difference arising from a change in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year when they are incurred. Furthermore, for business combinations to be performed at and after the beginning of the fiscal year under review, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the days of relevant business combinations are included. In addition, the Company has changed the presentation of Profit, etc. and the presentation of "Minority interests" to "Non-controlling interests." To reflect this change in presentation, reclassifications of accounts have been made to the consolidated financial statements for the fiscal year ended March 31, 2015.
The Business Combinations Standard, etc. were applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been applied from the beginning of the fiscal year under review onwards.
The effects of these changes on the Operating income and Profit before income taxes of the fiscal year under review are immaterial.
In the Consolidated Statements of Cash Flows for the fiscal year under review, cash flows associated with the purchase or sales of shares of subsidiaries not resulting in change in the scope of consolidation are presented under "Cash flows from financing activities," while expenses incurred associated with the costs related to the purchase of shares of subsidiaries resulting in change in the scope of consolidation or expenses incurred associated with the purchase or sales of shares of subsidiaries not resulting in change in the scope of consolidation are presented under "Cash flows from operating activities." The effects of these changes in the consolidated statement of changes in net assets and on capital surplus at end of the fiscal year under review are immaterial.
The effects of these changes on per share information for the fiscal year under review are described in Note 15.

Note 2. U.S. dollar amounts

The U.S. dollar amounts are stated solely for the convenience of the reader at the rate of U.S.\$1.00 = ¥112.68, the approximate rate of exchange at March 31, 2016. The translation should not be construed as a representation that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at that or any other rate.

Note 3. Inventories

Inventories as of March 31, 2015 and 2016 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Finished products | ¥ 3,161 | ¥ 3,326 | \$ 29,517 |
| Work in process | 955 | 991 | 8,795 |
| Raw materials and supplies | 2,306 | 2,869 | 25,461 |
| Total | ¥ 6,422 | ¥ 7,187 | \$ 63,782 |

The write-downs of inventories resulting from decreased profitability for the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Cost of sales | ¥ 193 | ¥ 281 | \$ 2,494 |

Note 4. Reduction entries

Reduction entries due to acceptance of prefectural government's grants relating to property, plant and equipment as of March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Land | ¥ 101 | ¥ 101 | \$ 896 |

Note 5. Short-term loans payable and long-term debt

Short-term loans payable and long-term debt as of March 31, 2015 and 2016 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2015 | 2016 | 2016 |
| Short-term loans payable | | | |
| Average interest rates on short-term loans payable, principally from banks, is 0.52% | | | |
| Secured | ¥ 2,300 | ¥ 4,600 | \$ 40,824 |
| Unsecured | 3,300 | 5,705 | 50,630 |
| Total | ¥ 5,600 | ¥ 10,305 | \$ 91,453 |
| Long-term debt | | | |
| Average interest rates on long-term debt, principally from banks, is 0.98% | | | |
| Secured | ¥ 3,423 | ¥ 2,839 | \$ 25,195 |
| Unsecured | 5,224 | 4,402 | 39,066 |
| Less: portion due within one year | (2,005) | (1,982) | (17,590) |
| Total | ¥ 6,641 | ¥ 5,258 | \$ 46,663 |

The assets pledged as collateral for short-term and long-term debt as of March 31, 2015 and 2016 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| (1) Factory foundation | | | |
| Buildings | ¥ 1,220 | ¥ 1,582 | \$ 14,040 |
| Machinery and vehicles | 296 | 229 | 2,032 |
| Tooling and office furniture | 80 | 81 | 719 |
| Land | 256 | 256 | 2,272 |
| Total | ¥ 1,854 | ¥ 2,151 | \$ 19,089 |
| (2) Other | | | |
| Buildings | ¥ 463 | ¥ 451 | \$ 4,002 |
| Tooling and office furniture | 0 | 4 | 35 |
| Land | 563 | 563 | 4,996 |
| Total | ¥ 1,027 | ¥ 1,019 | \$ 9,043 |

The aggregate annual maturities of long-term debt (including current portion) outstanding as of March 31, 2016 were summarized as follows:

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| Year ending March 31, | | |
| 2017 | ¥ 1,982 | \$ 17,590 |
| 2018 | 1,772 | 15,726 |
| 2019 | 2,246 | 19,933 |
| 2020 | 640 | 5,680 |
| 2021 and thereafter | 600 | 5,325 |
| Total | ¥ 7,241 | \$ 64,262 |

Note 6. Retirement benefits plans

The Company and certain of its domestic consolidated subsidiaries have either funded or unfunded defined benefit pension plans and defined contribution benefit pension plans.

The Company has funded corporate pension fund plans and defined contribution pension plans. As a defined benefit pension plan, the Company has adopted a cash balance plan. Under the cash balance plan, the plan sponsor contributes money into a plan participant's account based on the points according to the employee's years of service and job performance and the points are calculated with an interest credit that reflects changes in market interest rates.

Certain subsidiaries have funded and unfunded lump-sum payment plans and defined contribution pension plans. The simplified method is applied for the calculation of liability for retirement benefits and retirement benefit expense of certain domestic subsidiaries.

The changes in the retirement benefit obligation during the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Balance at the beginning of the year | ¥ 7,485 | ¥ 8,184 | \$ 72,630 |
| Cumulative effect of change in accounting principle | 696 | — | — |
| Restated balance at the beginning of the year | 8,181 | 8,184 | 72,630 |
| Service cost | 342 | 335 | 2,973 |
| Interest cost | 50 | 50 | 444 |
| Actuarial gain and loss | 36 | 78 | 692 |
| Retirement benefit paid | (433) | (785) | (6,967) |
| Other | 6 | 0 | 0 |
| Balance at the end of the year | ¥ 8,184 | ¥ 7,865 | \$ 69,799 |

The changes in plan assets during the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Balance at the beginning of the year | ¥ 7,960 | ¥ 8,968 | \$ 79,588 |
| Expected return on plan assets | 214 | 238 | 2,112 |
| Actuarial gain and loss | 700 | (593) | (5,263) |
| Contributions by the Company | 522 | 521 | 4,624 |
| Retirement benefits paid | (429) | (778) | (6,905) |
| Balance at the end of the year | ¥ 8,968 | ¥ 8,357 | \$ 74,166 |

The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Funded retirement benefit obligation | ¥ 8,127 | ¥ 7,849 | \$ 69,657 |
| Plan assets at fair value | (8,968) | (8,357) | (74,166) |
| | (841) | (507) | (4,499) |
| Unfunded retirement benefit obligation | 56 | 15 | 133 |
| Net liability for retirement benefits in the balance sheet | (784) | (491) | (4,357) |
| Liability for retirement benefits | 56 | 49 | 435 |
| Asset for retirement benefits | (841) | (541) | (4,801) |
| Net liability for retirement benefits in the balance sheet | ¥ (784) | ¥ (491) | \$ (4,357) |

The components of retirement benefit expense for the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
| | 2015 | 2016 | 2016 |
| Service cost | ¥ 342 | ¥ 335 | \$ 2,973 |
| Interest cost | 50 | 50 | 444 |
| Expected return on plan assets | (214) | (238) | (2,112) |
| Amortization of actuarial gain and loss | (198) | (190) | (1,686) |
| Retirement benefit expense | ¥ (20) | ¥ (42) | \$ (373) |

The components of retirement benefits asset and liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Actuarial gain and loss | ¥ 463 | ¥ (861) | \$ (7,641) |

The components of retirement benefits asset and liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Unrecognized actuarial gain and loss | ¥ 1,187 | ¥ 325 | \$ 2,884 |

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2016 were as follows:

| | 2015 | 2016 |
|-----------------|--------|--------|
| Bonds | 4.2% | 3.9% |
| Stocks | 41.2 | 38.9 |
| Life insurances | 39.0 | 39.5 |
| Funds | 13.4 | 14.3 |
| Other | 2.2 | 3.4 |
| Total | 100.0% | 100.0% |

- The total plan assets include retirement benefit trusts which constitute 13.4% for the year ended March 31, 2015 and 11.8% for the year ended March 31, 2016.
- The expected rates of return on plan assets has been estimated based on the anticipated allocation of plan assets to each asset category and the expected long-term returns on plan assets held in each category.

The required contributions to the defined contribution plans by the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2016 amounted to ¥81 million and ¥84 million (\$745 thousand), respectively.

Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets as of March 31, 2015 and 2016 were as follows:

| | 2015 | 2016 |
|---|-------|-------|
| Discount rate | 0.6% | 0.6% |
| Re-evaluation rate | 1.55% | 1.40% |
| Expected rates of return on plan assets | 3.0% | 3.0% |

Note 7. Net asset

Information regarding changes in net assets for the years ended March 31, 2015 and 2016 were as follows:

1. Shares issued and outstanding / Treasury stock

| Types of shares | 2015 | | | 2016 | | | | |
|-----------------|-----------------------------------|----------|----------|------------------------------------|-----------------------------------|-----------|----------|------------------------------------|
| | Number of shares at April 1, 2014 | Increase | Decrease | Number of shares at March 31, 2015 | Number of shares at April 1, 2015 | Increase | Decrease | Number of shares at March 31, 2016 |
| Shares issued: | | | | | | | | |
| Common stock | 79,000,000 | — | — | 79,000,000 | 79,000,000 | — | — | 79,000,000 |
| Treasury stock: | | | | | | | | |
| Common stock | 7,198,819 | 16,323 | 50,950 | 7,164,192 | 7,164,192 | 1,924,222 | 140,561 | 8,947,853 |

1. Details of the increase are as follows:

| | 2015 | 2016 |
|--|--------|-----------|
| Increase due to purchase of shares | — | 1,901,000 |
| Increase due to purchase of shares of less than standard unit | 13,027 | 17,491 |
| Increase in shares held by affiliates accounted for by the equity method | 3,296 | 2,992 |
| Increase due to purchase of company that holds shares | — | 2,739 |

2. Details of the decrease are as follows:

| | 2015 | 2016 |
|--|--------|---------|
| Decrease due to exercising stock options | 50,000 | 124,000 |
| Decrease due to sales of shares held by subsidiaries | — | 14,739 |
| Decrease due to sales of shares of less than standard unit | 950 | 1,822 |

2. Share subscription rights

| Company | Description | Millions of yen | | Thousands of U.S. dollars |
|----------------|---|-----------------|------|---------------------------|
| | | 2015 | 2016 | 2016 |
| Parent company | Share subscription rights as stock options granted during the year ended March 31, 2011 | 35 | 25 | 222 |
| Total | | 35 | 25 | 222 |

3. Dividends

(1) Dividends paid

| 2015 | | | | | | |
|---|----------------|-----------------------------------|---------------------------|--------------------|-------------------|--|
| Resolution | Type of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Cut-off date | Effective date | |
| Shareholders' meeting on June 24, 2014 | Common stock | 359 | 5 | March 31, 2014 | June 25, 2014 | |
| Board of Directors' meeting on October 23, 2014 | Common stock | 359 | 5 | September 30, 2014 | November 19, 2014 | |

| 2016 | | | | | | 2016 | |
|---|----------------|-----------------------------------|---------------------------|--------------------|-------------------|---|------------------------------------|
| Resolution | Type of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Cut-off date | Effective date | Total dividends (Thousands of U.S. dollars) | Dividends per share (U.S. dollars) |
| Shareholders' meeting on June 23, 2015 | Common stock | 647 | 9 | March 31, 2015 | June 24, 2015 | 5,742 | 0.08 |
| Board of Directors' meeting on October 23, 2015 | Common stock | 420 | 6 | September 30, 2015 | November 19, 2015 | 3,727 | 0.05 |

(2) Dividends with the cut-off date in the year ended March 31, 2015 and the effective date in the year ending March 31, 2016

| 2015 | | | | | | |
|--|----------------|---------------------|-----------------------------------|---------------------------|----------------|----------------|
| Resolution | Type of shares | Source of dividends | Total dividends (Millions of yen) | Dividends per share (Yen) | Cut-off date | Effective date |
| Shareholders' meeting on June 23, 2015 | Common stock | Retained earnings | 647 | 9 | March 31, 2015 | June 24, 2015 |

Dividends with the cut-off date in the year ended March 31, 2016 and the effective date in the year ending March 31, 2017

| 2016 | | | | | | | 2016 | |
|--|----------------|---------------------|-----------------------------------|---------------------------|----------------|----------------|---|------------------------------------|
| Resolution | Type of shares | Source of dividends | Total dividends (Millions of yen) | Dividends per share (Yen) | Cut-off date | Effective date | Total dividends (Thousands of U.S. dollars) | Dividends per share (U.S. dollars) |
| Shareholders' meeting on June 22, 2016 | Common stock | Retained earnings | 561 | 8 | March 31, 2016 | June 23, 2016 | 4,979 | 0.07 |

Note 8. Stock options

- The account and the amount of stock options charged as expenses
For the years ended March 31, 2015 and 2016, there was no expenses charged.
- The amount of stock options charged as income due to their forfeiture resulting from nonuse

| | Millions of yen | |
|---|-----------------|------|
| | 2015 | 2016 |
| Gain on reversal of share subscription rights | — | 0 |

3. Description of stock options

| | |
|---------------------------------|---|
| Category and number of grantees | 269 employees of the Company, and a director and 35 employees of its subsidiaries |
| Number of stock options | 1,141,000 common shares |
| Grant date | August 11, 2011 |
| Exercise condition | Subscription holders shall remain employees, directors or auditors of the Company or its subsidiaries at the time of exercise |
| Vesting period | From August 11, 2011 to August 11, 2013 |
| Exercise period | From August 12, 2013 to August 11, 2016 |

4. Change in stock options

Stock option activity during the year ended March 31, 2016 was as follows:

| | |
|--|-----------------|
| Share subscription rights which are not yet vested | |
| Outstanding as of March 31, 2015 | — |
| Granted | — |
| Forfeited | — |
| Vested | — |
| Outstanding as of March 31, 2016 | — |
| Share subscription rights which have already been vested | |
| Outstanding as of March 31, 2015 | 441,000 |
| Vested | — |
| Exercised | 124,000 |
| Forfeited | 3,000 |
| Outstanding as of March 31, 2016 | 314,000 |
| Exercise price | ¥ 360 (\$3.19) |
| The fair value of stock options when granted | ¥ 80.5 (\$0.71) |

5. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of unexercised stock options in the future, the actual number of unexercised stock options is presented.

Note 9. Research and development costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2015 and 2016 amounted to ¥3,472 million and ¥3,620 million (\$ 32,126 thousand), respectively.

Note 10. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Salaries and wages of employees | ¥ 4,286 | ¥ 4,591 | \$ 40,744 |
| Provision for bonus | 444 | 439 | 3,896 |
| Provision for directors' and officers' bonus | 70 | 75 | 666 |
| Retirement benefit cost | 47 | 24 | 213 |
| Provision for directors' and officers' retirement benefits | 50 | 41 | 364 |
| Provision for doubtful accounts | 2 | 18 | 160 |

Note 11. Gains and losses of fixed assets

The components of gains and losses of fixed assets for the year ended March 31, 2015 and 2016 were as follows:

Gains on sales of fixed assets

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Buildings | ¥ 28 | ¥ 0 | \$ 0 |
| Machinery and vehicles | 17 | 22 | 195 |
| Tooling and office furniture | 23 | 4 | 35 |
| Land | 28 | 103 | 914 |
| Intangible asset | 2 | 5 | 44 |
| Total | ¥ 101 | ¥ 134 | \$ 1,189 |

Loss on disposal of fixed assets

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Buildings | ¥ 6 | ¥ 2 | \$ 18 |
| Machinery and vehicles | 66 | 175 | 1,553 |
| Tooling and office furniture | 8 | 31 | 275 |
| Intangible asset | 0 | — | — |
| Total | ¥ 82 | ¥ 209 | \$ 1,855 |

Note 12. Loss on impairment of fixed assets

An impairment loss is recognized when the carrying amount of an asset exceeds undiscounted future net cash flows which are expected to be generated by such asset. The impairment loss is measured by the amount by which the carrying amount of the asset exceeds its recoverable amount being the higher of the discounted future net cash flows or net realizable value.

For the year ended March 31, 2015, impairment losses were recognized for the following assets.

| Asset group | Location | Use | Millions of yen | | | | | | Total |
|------------------------------|----------|---|-----------------|-----------|------------------------|------------------------------|----------|----------|--------|
| | | | Land | Buildings | Machinery and vehicles | Tooling and office furniture | Software | Goodwill | |
| Connection System | Japan | Connectors/Jack production facilities | — | 9 | 358 | 76 | — | — | 444 |
| Functional components | Japan | Remote controls/Switch/Unit production facilities | — | — | 37 | 51 | 10 | — | 98 |
| KOSCO Tatebayashi and others | Japan | Buildings | — | 818 | — | — | — | — | 818 |
| Total | | | ¥ — | ¥ 827 | ¥ 396 | ¥ 127 | ¥ 10 | ¥ — | ¥1,361 |

The Company's assets for business operations are categorized into groups on a division-by-division basis and the Company's rental property on an individual basis, whereas consolidated subsidiaries' assets for business operations are categorized into groups on a subsidiary-by-subsidary basis and their rental property on an individual basis. Of the above asset groups, because the Connection System Division and the Functional Components Division suffered declining trend in net sales and income due to intense price competition in the market, future cash flows from their asset groups were estimated after reviewing their business plans. As a result, it was found that they could not generate sufficient earnings to recover the value of the respective asset groups, therefore their book value was reduced to the recoverable amounts. For KOSCO Tatebayashi and others, the fair value thereof declined below the book value, which was therefore reduced to the recoverable amount.

The recoverable amount of the asset group of the Connection System Division was measured at value in use, which was calculated by discounting future cash flows at 6.6%. The recoverable amount of the asset group of the Functional Components Division was measured at value in use, and since no future cash flows are expected, the book value thereof in the second quarter of the fiscal year ended March 31, 2015 was entirely recognized as impairment loss. The recoverable amount of the assets of KOSCO Tatebayashi and others were measured at net realizable value, which was calculated based on valuations by external independent real estate appraisers.

For the year ended March 31, 2016, there was no major impairment loss recognized.

Note 13. Income taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 35.5% and 32.9% for the years ended March 31, 2015 and 2016, respectively.

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2015 and 2016 was as follows:

| | 2015 | 2016 |
|--|--------|--------|
| Statutory tax rate | 35.5% | 32.9% |
| Items such as entertainment expenses permanently non-deductible for tax purposes | 0.9 | 1.2 |
| Items such as dividend income permanently non-taxable | (20.4) | (27.2) |
| Change in valuation allowance | 13.4 | 4.5 |
| Tax credit for R&D expenses | (1.4) | — |
| Foreign withholding taxes | 2.9 | 5.0 |
| Inhabitant tax on per capita basis | 0.6 | 0.6 |
| Statutory tax rate differences in subsidiaries | (20.0) | (20.9) |
| Elimination of dividend income | 20.1 | 27.2 |
| Accumulated surplus of subsidiaries | 5.8 | (1.1) |
| Decrease of tax assets at fiscal year-end by the change of tax rate | 1.5 | 1.5 |
| Income taxes current for prior years | 6.0 | (0.4) |
| Liquidation of subsidiaries | — | 2.3 |
| Other | 0.9 | 1.8 |
| Effective tax rate | 45.8% | 27.4% |

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Deferred tax assets: | | | |
| Inventory write-down disallowed | ¥ 28 | ¥ 20 | \$ 177 |
| Accrued bonuses disallowed | 310 | 268 | 2,378 |
| Intercompany profit on inventory | 79 | 70 | 621 |
| Liability for retirement benefits | — | 132 | 1,171 |
| Allowance for doubtful accounts | 38 | 19 | 169 |
| Impairment loss | 569 | 536 | 4,757 |
| Operating loss carryforwards for tax purposes | 539 | 934 | 8,289 |
| Other | 681 | 721 | 6,399 |
| Valuation allowance | (1,425) | (1,643) | (14,581) |
| Deferred tax assets | 820 | 1,059 | 9,398 |
| Deferred tax liabilities: | | | |
| Asset for retirement benefits | (216) | — | — |
| Deferred gain on land | (86) | (81) | (719) |
| Advanced depreciation on buildings | (62) | (54) | (479) |
| Reserve for special depreciation | (31) | (25) | (222) |
| Net unrealized gains on other securities | (261) | (64) | (568) |
| Accumulated surplus of foreign subsidiaries | (620) | (577) | (5,121) |
| Valuation difference on subsidiaries | (369) | (361) | (3,204) |
| Other | (166) | (141) | (1,251) |
| Deferred tax liabilities | (1,815) | (1,307) | (11,599) |
| Net deferred tax assets | ¥ (994) | ¥ (247) | \$ (2,192) |

The "Act to partially revised the Income Tax Act and Others" (Act No. 15 of 2016) and the "Act to partially revise the Local Tax Act and Others" (Act No. 13 of 2016) were enacted on March 31, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.2% to 30.8% and 30.5% for the temporary differences expected to be realized or settled in the year beginning April 1, 2016 and for the temporary differences expected to be realized or settled from April 1, 2018, respectively.

The effects of these changes on consolidated financial statements for the year ended March 31, 2016 are immaterial.

Note 14. Other comprehensive income

The following table present reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2016.

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| | 2015 | 2016 | 2016 |
| Net unrealized gains (losses) on other securities: | | | |
| Amount arising during the year | ¥ 563 | ¥ (362) | \$ (3,213) |
| Reclassification adjustments for gains and losses included in profit attributable to owners of parent | (90) | (278) | (2,467) |
| Amount before tax effect | 472 | (641) | (5,680) |
| Tax effect | (138) | 209 | 1,855 |
| Net unrealized gains (losses) on other securities | 334 | (431) | (3,825) |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year | 1,473 | (874) | (7,756) |
| Reclassification adjustments for gains and losses included in profit attributable to owners of parent | — | 65 | 577 |
| Amount before tax effect | 1,473 | (809) | (7,180) |
| Tax effect | — | — | — |
| Foreign currency translation adjustments | 1,473 | (809) | (7,180) |
| Retirement benefits asset and liability adjustments: | | | |
| Amount arising during the year | 662 | (670) | (5,946) |
| Reclassification adjustments for gains and losses included in profit attributable to owners of parent | (198) | (190) | (1,686) |
| Amount before tax effect | 463 | (861) | (7,641) |
| Tax effect | (128) | 286 | 2,538 |
| Retirement benefits asset and liability adjustments | 335 | (574) | (5,094) |
| Total other comprehensive income | ¥ 2,143 | ¥ (1,815) | \$ (16,108) |

Note 15. Amounts per share

1. Profit attributable to owners of parent per share of common stock is based on the following information

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2015 | 2016 | 2016 |
| Basic profit attributable to owners of parent per share: | | | |
| Profit attributable to owners of parent | ¥ 1,982 | ¥ 2,678 | \$ 23,766 |
| Profit attributable to owners of parent not attributable to common stockholders | — | — | — |
| Profit attributable to owners of parent attributable to common stock | 1,982 | 2,678 | 23,766 |

| | Thousands of shares | |
|--|---------------------|--------|
| | 2015 | 2016 |
| Average number of shares of common stock outstanding during the year | 71,807 | 70,600 |

2. Diluted profit attributable to owners of parent per share of common stock is based on the following information

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
| | 2015 | 2016 | 2016 |
| Diluted profit attributable to owners of parent per share: | | | |
| Adjustments | ¥ — | ¥ — | \$ — |

| | Thousands of shares | |
|---|---------------------|------|
| | 2015 | 2016 |
| Increase in number of shares of common stock | 106 | 139 |
| (Share subscription rights) | 106 | 139 |
| Description of dilutive securities which were not included in the calculation of diluted profit attributable to owners of parent per share of common stock as they have no dilutive effects | — | — |

As described in Note 1.(v), the Company adopted "Revised Accounting Standard for Business Combinations", etc. effective from April 1, 2015. The effects of these changes on per share data for the year ended March 31, 2016 are immaterial.

Note 16. Financial instruments

(1) Policy for financial instruments

The Company and consolidated subsidiaries raise funds through bank borrowings.

The Company and consolidated subsidiaries use derivatives for the purpose of reducing risk and do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. Regarding this risk, the credit management is executed periodically.

Marketable securities and investment securities are exposed to market risk. The fair value of those securities is reported in a board meeting periodically.

Substantially all trade payables – trade notes and accounts payable – have payment due dates within one year.

Short-term loans payable are raised mainly in connection with business activities, and the repayment dates of long-term debt extend up to four years from the balance sheet date. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Company and consolidated subsidiaries utilizes interest rate swap transactions as a hedging instrument.

Execution and management of derivatives transactions are carried out in accordance with the company regulations specifying the transaction authority. In addition, in order to alleviate credit risk, derivative transactions are restricted to banks with high credit ratings. Although operating liabilities and loans payable are exposed to liquidity risk, the Group's companies are able to manage it by using methods such as preparing monthly cash management plans.

(3) Additional information regarding fair value of financial instruments

Fair value of financial instruments includes the value based on the market price. In addition, if such information is absent, reasonable assessments of their value are included. Furthermore, the contract amounts, etc. relating to derivatives transactions described in Note 18. Derivatives themselves do not serve as indicators of market risk involved in derivatives transactions.

Information regarding fair value of financial instruments at March 31, 2015 and 2016 was summarized as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--------------------------------------|-----------------|------------|------------|------------|------------|------------|---------------------------|------------|------------|
| | 2015 | | Difference | 2016 | | Difference | 2016 | | Difference |
| Book value | Fair value | Book value | | Fair value | Book value | | Fair value | Difference | |
| Cash and cash equivalents | ¥ 9,999 | ¥ 9,999 | ¥ — | ¥ 10,668 | ¥ 10,668 | ¥ — | \$ 94,675 | \$ 94,675 | \$ — |
| Time deposits | 183 | 183 | — | 110 | 110 | — | 976 | 976 | — |
| Notes and accounts receivable, trade | 16,979 | 16,979 | — | 16,509 | 16,509 | — | 146,512 | 146,512 | — |
| Investment securities | 2,874 | 2,874 | — | 2,147 | 2,147 | — | 19,054 | 19,054 | — |
| Notes and accounts payable, trade | 4,542 | 4,542 | — | 4,808 | 4,808 | — | 42,670 | 42,670 | — |
| Short-term loans payable | 5,600 | 5,600 | — | 10,305 | 10,305 | — | 91,454 | 91,454 | — |
| Accounts payable, non-trade | 5,970 | 5,970 | — | 6,245 | 6,245 | — | 55,422 | 55,422 | — |
| Long-term debt | 8,647 | 8,581 | (66) | 7,241 | 7,201 | (39) | 64,262 | 63,907 | (346) |
| Derivatives | (11) | (11) | — | 26 | 26 | — | 231 | 231 | — |

Investment securities include securities recorded as other current assets in the consolidated balance sheets.

Long-term debt includes current portion of long-term debt recorded as short-term loans payable in the consolidated balance sheets.

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and cash equivalents, time deposits, and notes and accounts receivable, trade
Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities

The fair value of stocks is based on quoted market prices.

Short-term loans payable, notes and accounts payable, trade and accounts payable, non-trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Derivatives

Please refer to Note 18 Derivatives of the notes to the consolidated financial statements.

2. Financial instruments whose fair value is extremely difficult to determine

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Unlisted securities | ¥ 230 | ¥ 258 | \$ 2,290 |

Unlisted securities are not included in the investment securities because there were no quoted market prices available and the fair value is extremely difficult to determine.

3. The schedules for redemption of monetary assets and securities with maturities

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--------------------------------------|---------------------------------------|---------------------|--|---------------------------------------|---------------------|--|---------------------------------------|------------|--|
| | 2015 | | Due after five years through ten years | 2016 | | Due after five years through ten years | 2016 | | Due after five years through ten years |
| Due within one year | Due after one year through five years | Due within one year | | Due after one year through five years | Due within one year | | Due after one year through five years | Difference | |
| Cash equivalents and time deposits | ¥ 9,987 | ¥ — | ¥ — | ¥ 10,631 | ¥ — | ¥ — | \$ 94,347 | \$ — | \$ — |
| Notes and accounts receivable, trade | 16,979 | — | — | 16,509 | — | — | 146,512 | — | — |
| Investment securities (other) | — | 61 | — | — | 56 | — | — | 497 | — |
| Total | ¥ 26,966 | ¥ 61 | ¥ — | ¥ 27,141 | ¥ 56 | ¥ — | \$ 240,868 | \$ 497 | \$ — |

Note 17. Securities

Information regarding securities classified as other securities at March 31, 2015 and 2016 was summarized as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|-----------------|---------|------------------------|------------|---------|------------------------|---------------------------|-----------|------------------------|
| | 2015 | | 2016 | | 2016 | | Fair value | Cost | Unrealized gain (loss) |
| | Fair value | Cost | Unrealized gain (loss) | Fair value | Cost | Unrealized gain (loss) | | | |
| Securities whose fair value exceeds their cost | | | | | | | | | |
| Stocks | ¥ 2,407 | ¥ 1,472 | ¥ 935 | ¥ 1,767 | ¥ 1,367 | ¥ 400 | \$ 15,682 | \$ 12,132 | \$ 3,550 |
| Others | 61 | 21 | 39 | 56 | 21 | 34 | 497 | 186 | 311 |
| Subtotal | 2,469 | 1,494 | 974 | 1,824 | 1,389 | 435 | 16,187 | 12,327 | 3,860 |
| Securities whose cost exceeds their fair value | | | | | | | | | |
| Stocks | 404 | 527 | (123) | 323 | 517 | (193) | 2,867 | 4,588 | (1,721) |
| Subtotal | 404 | 527 | (123) | 323 | 517 | (193) | 2,867 | 4,588 | (1,721) |
| Total | ¥ 2,874 | ¥ 2,022 | ¥ 851 | ¥ 2,147 | ¥ 1,906 | ¥ 241 | \$ 19,054 | \$ 16,915 | \$ 2,139 |

Unlisted stocks of ¥30 million at March 31, 2015 and ¥57 million (\$506 thousand) at March 31, 2016 are not included in the above table because there were no quoted market prices available and the fair value is extremely difficult to determine.

Investment securities in unconsolidated subsidiaries and affiliates were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Investment securities | ¥ 200 | ¥ 201 | \$ 1,784 |

Information regarding sales of securities classified as other securities for the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|-------|---------------------------|
| | 2015 | 2016 | 2016 |
| Proceeds from sales of securities | ¥ 125 | ¥ 360 | \$ 3,195 |
| Stocks | 125 | 360 | 3,195 |
| Gains on sales | 90 | 294 | 2,609 |
| Stocks | 90 | 294 | 2,609 |
| Losses on sales | — | 0 | 0 |
| Stocks | — | 0 | 0 |

Impairment of investment securities classified as other securities for the years ended March 31, 2015 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------|-----------------|------|---------------------------|
| | 2015 | 2016 | 2016 |
| Stocks | ¥ — | ¥ 16 | \$ 142 |

Note 18. Derivatives

As a matter of policy, the Company does not speculate in derivative transactions. The Company does not anticipate nonperformance by any of the counterparties to the derivative transactions, all of whom are leading domestic financial institutions with high bond ratings.

In accordance with the Company's policy, the accounting department controls derivative transactions and requires approval by the director responsible for accounting and the representative directors of the Company. The director who has the responsibility to control the performance and the related risks connected with derivatives reports these to the Management Committee of the Company.

The Company uses interest rate swaps to hedge the risks from interest rate fluctuations on borrowings. The exceptional method of hedge accounting is used to account for those transactions.

(Currency related)

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|-------------------------------------|-----------------|-------|------------|------|------------------------|------|---------------------------|------------|------------------------|
| | Contract amount | | Fair value | | Unrealized gain (loss) | | Contract amount | Fair value | Unrealized gain (loss) |
| Forward foreign exchange contracts: | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2016 | 2016 | 2016 |
| Sell: | | | | | | | | | |
| US\$ | ¥ 769 | ¥ 653 | ¥ (11) | ¥ 26 | ¥ (11) | ¥ 26 | \$ 5,795 | \$ 231 | \$ 231 |
| Total | ¥ 769 | ¥ 653 | ¥ (11) | ¥ 26 | ¥ (11) | ¥ 26 | \$ 5,795 | \$ 231 | \$ 231 |

(1) Calculation of fair value

The fair value is calculated by the forward exchange rate.

(2) Derivative transactions to which hedge accounting was applied are excluded from the above table.

(Interest related)

| | Millions of yen | | | | Thousands of U.S. dollars | |
|---------------------|-----------------|---------|--------------------|---------|---------------------------|--------------------|
| | Contract amount | | Due after one year | | Contract amount | Due after one year |
| | 2015 | 2016 | 2015 | 2016 | 2016 | 2016 |
| Interest rate swaps | ¥ 6,430 | ¥ 5,314 | ¥ 4,714 | ¥ 3,598 | \$ 47,160 | \$ 31,931 |

Since exceptional treatment is applied to interest rate swaps transactions, they are accounted for as if they were an integral part of the hedged long-term debt, and their fair value is included in the fair value of long-term debt in Note 16.

Note 19. Investment and rental property

The profit of investment and rental property for the years ended March 31, 2015 and 2016 amounted to ¥492 million and ¥639 million (\$5,671 thousand), respectively.

Information on the fair value of investment and rental property at March 31, 2015 and 2016 was summarized as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|----------------------------------|----------------------------|------------|----------------------------------|----------------------------|------------|----------------------------------|----------------------------|------------|
| | 2015 | | 2016 | | 2016 | | Book value beginning of the year | Book value end of the year | Fair value |
| | Book value beginning of the year | Book value end of the year | Fair value | Book value beginning of the year | Book value end of the year | Fair value | | | |
| | ¥ 3,873 | ¥ 9,019 | ¥ 15,116 | ¥ 9,019 | ¥ 8,875 | ¥ 16,132 | \$ 80,041 | \$ 78,763 | \$ 143,166 |

- The fair value represents the acquisition cost less accumulated depreciation.
- The fair value is mainly based upon the amount appraised by outside independent real estate appraisers.

Note 20. Segment information

(Overview)

The reportable segments of the Company and consolidated subsidiaries are designed as business segments whose segregated financial information can be obtained and to which the management reviews to decide on the allocation of managerial and financial resources and to evaluate their financial performance.

The Company and consolidated subsidiaries are primarily engaged in the three divisions as follows;

CS (Connection System) Division: The division produces and sells connectors and jacks.

FC (Functional Components) Division: The division produces and sells switches, remote controls and camera modules.

TP (Touch Panel) Division: The division produces and sells touch panels.

The business segment information is prepared in a manner similar to the accounting treatment as described in Note 1. Segment performance is evaluated based on operating income or loss.

As described in Note 1.(v), the Company adopted "Revised Accounting Standard for Business Combinations", etc. effective from April 1, 2015. The effects of these changes on segment data are immaterial.

1. Business segment information

| | Millions of yen | | | | | | | | |
|--|----------------------------|--------------------------------|----------------------|----------|----------|----------|--------|------------|--------------|
| | Reportable Segments | | | | Subtotal | Other | Total | Adjustment | Consolidated |
| 2015 | Connection System Division | Functional Components Division | Touch Panel Division | | | | | | |
| Net sales | | | | | | | | | |
| Outside customers | ¥ 25,901 | ¥ 25,027 | ¥ 15,184 | ¥ 66,112 | ¥ 118 | ¥ 66,230 | ¥ — | ¥ 66,230 | |
| Intersegment sales | — | — | — | — | — | — | — | — | |
| Total | 25,901 | 25,027 | 15,184 | 66,112 | 118 | 66,230 | — | 66,230 | |
| Operating income (loss) | 921 | (723) | 1,909 | 2,107 | 6 | 2,113 | — | 2,113 | |
| Identifiable assets | 16,072 | 12,768 | 7,756 | 36,597 | 9,613 | 46,210 | 18,819 | 65,029 | |
| Others | | | | | | | | | |
| Depreciation | 2,355 | 490 | 647 | 3,493 | 1 | 3,495 | — | 3,495 | |
| Increase in fixed assets and intangible fixed assets | 2,221 | 991 | 438 | 3,651 | 164 | 3,816 | — | 3,816 | |

| | Millions of yen | | | | | | | | |
|--|----------------------------|--------------------------------|----------------------|----------|----------|----------|--------|------------|--------------|
| | Reportable Segments | | | | Subtotal | Other | Total | Adjustment | Consolidated |
| 2016 | Connection System Division | Functional Components Division | Touch Panel Division | | | | | | |
| Net sales | | | | | | | | | |
| Outside customers | ¥ 27,095 | ¥ 35,449 | ¥ 14,467 | ¥ 77,011 | ¥ 195 | ¥ 77,206 | ¥ — | ¥ 77,206 | |
| Intersegment sales | — | — | — | — | — | — | — | — | |
| Total | 27,095 | 35,449 | 14,467 | 77,011 | 195 | 77,206 | — | 77,206 | |
| Operating income (loss) | 2,215 | 370 | 1,838 | 4,423 | (252) | 4,171 | — | 4,171 | |
| Identifiable assets | 14,687 | 15,459 | 6,298 | 36,445 | 12,649 | 49,094 | 18,511 | 67,606 | |
| Others | | | | | | | | | |
| Depreciation | 2,093 | 780 | 703 | 3,577 | 108 | 3,686 | — | 3,686 | |
| Increase in fixed assets and intangible fixed assets | 2,116 | 2,080 | 652 | 4,850 | 3,065 | 7,916 | — | 7,916 | |

| | Thousands of U.S. dollars | | | | | | | |
|--|----------------------------|--------------------------------|----------------------|------------|----------|------------|------------|--------------|
| | Reportable Segments | | | | Other | Total | Adjustment | Consolidated |
| 2016 | Connection System Division | Functional Components Division | Touch Panel Division | Subtotal | | | | |
| Net sales | | | | | | | | |
| Outside customers | \$ 240,460 | \$ 314,599 | \$ 128,390 | \$ 683,449 | \$ 1,731 | \$ 685,179 | \$ — | \$ 685,179 |
| Intersegment sales | — | — | — | — | — | — | — | — |
| Total | 240,460 | 314,599 | 128,390 | 683,449 | 1,731 | 685,179 | — | 685,179 |
| Operating income (loss) | 19,657 | 3,284 | 16,312 | 39,253 | (2,236) | 37,017 | — | 37,016 |
| Identifiable assets | 130,343 | 137,194 | 55,893 | 323,438 | 112,256 | 435,694 | 164,279 | 599,982 |
| Others | | | | | | | | |
| Depreciation | 18,575 | 6,922 | 6,239 | 31,745 | 958 | 32,712 | — | 32,712 |
| Increase in fixed assets and intangible fixed assets | 18,779 | 18,459 | 5,786 | 43,042 | 27,201 | 70,252 | — | 70,252 |

Other is business segments not included in the reportable segments. It includes other parts, leasing, property rental, factoring and worker dispatch businesses.

Adjustment includes corporate assets which are not allocable to the reportable segments.

2. Geographical information

(1) Net sales

| 2015 | Millions of yen | | | | | Consolidated |
|-----------|-----------------|----------|---------------|---------|-------|--------------|
| | Japan | Asia | North America | Europe | Other | |
| Net sales | ¥ 12,168 | ¥ 27,548 | ¥ 24,375 | ¥ 2,115 | ¥ 21 | ¥ 66,230 |

| 2016 | Millions of yen | | | | | Consolidated |
|-----------|-----------------|----------|---------------|---------|-------|--------------|
| | Japan | Asia | North America | Europe | Other | |
| Net sales | ¥ 12,938 | ¥ 31,439 | ¥ 29,952 | ¥ 2,873 | ¥ 1 | ¥ 77,206 |

| 2016 | Thousands of U.S. dollars | | | | | Consolidated |
|-----------|---------------------------|------------|---------------|-----------|-------------|--------------|
| | Japan | Asia | North America | Europe | Other areas | |
| Net sales | \$ 114,821 | \$ 279,011 | \$ 265,815 | \$ 25,497 | \$ 9 | \$ 685,179 |

(2) Fixed assets

| 2015 | Millions of yen | | | | Consolidated |
|--------------|-----------------|---------|---------------|--------|--------------|
| | Japan | Asia | North America | Europe | |
| Fixed assets | ¥ 14,699 | ¥ 7,071 | ¥ 303 | ¥ 460 | ¥ 22,534 |

| 2016 | Millions of yen | | | | Consolidated |
|--------------|-----------------|---------|---------------|--------|--------------|
| | Japan | Asia | North America | Europe | |
| Fixed assets | ¥ 15,843 | ¥ 6,252 | ¥ 377 | ¥ 437 | ¥ 22,912 |

| 2016 | Thousands of U.S. dollars | | | | Consolidated |
|--------------|---------------------------|-----------|---------------|----------|--------------|
| | Japan | Asia | North America | Europe | |
| Fixed assets | \$ 140,602 | \$ 55,485 | \$ 3,346 | \$ 3,878 | \$ 203,337 |

3. Information about major customers

The Company and consolidated subsidiaries have no major customers which account for 10% or more of net sales.

4. Information about the loss on impairment of fixed assets

| | Millions of yen | | Thousands of U.S. dollars | |
|--------------------------------|-----------------|------|---------------------------|--|
| | 2015 | 2016 | 2016 | |
| Connection System Division | ¥ 444 | ¥ — | \$ — | |
| Functional Components Division | 98 | — | — | |
| Touch Panel Division | — | — | — | |
| Subtotal | 543 | — | — | |
| Other | 818 | — | — | |
| Adjustments and eliminations | — | — | — | |
| Consolidated | ¥ 1,361 | ¥ — | \$ — | |

5. Information about the amortization of goodwill and the balance of goodwill

For the year ended March 31, 2015, there was no amortization and balance of goodwill.

| 2016 | Millions of yen | | | | | | |
|--------------|----------------------------|--------------------------------|----------------------|----------|-------|------------|--------------|
| | Reportable Segments | | | | Other | Adjustment | Consolidated |
| Amortization | Connection System Division | Functional Components Division | Touch Panel Division | Subtotal | | | |
| Amortization | ¥ — | ¥ 83 | ¥ — | ¥ 83 | ¥ 2 | ¥ — | ¥ 86 |
| Balance | — | 335 | — | 335 | 45 | — | 380 |

| 2016 | Thousands of U.S. dollars | | | | | | |
|--------------|----------------------------|--------------------------------|----------------------|----------|-------|------------|--------------|
| | Reportable Segments | | | | Other | Adjustment | Consolidated |
| Amortization | Connection System Division | Functional Components Division | Touch Panel Division | Subtotal | | | |
| Amortization | \$ — | \$ 737 | \$ — | \$ 737 | \$ 18 | \$ — | \$ 763 |
| Balance | — | 2,973 | — | 2,973 | 399 | — | 3,372 |

Note 21. Related party transactions

Significant transactions with related parties for the years ended March 31, 2015 and 2016 were as follows:

| 2015 | Millions of yen | | | |
|--------------------------|--------------------------|------|-------------------|----------------------|
| | Transactions | | Balances | |
| | Guaranty money deposited | Rent | Other investments | Other current assets |
| Terutaka Ikeda (Auditor) | — | ¥ 13 | ¥ 14 | ¥ 1 |

| 2016 | Millions of yen | | | |
|--------------------------|--------------------------|------|-------------------|----------------------|
| | Transactions | | Balances | |
| | Guaranty money deposited | Rent | Other investments | Other current assets |
| Terutaka Ikeda (Auditor) | — | ¥ 14 | ¥ 14 | ¥ 1 |

| 2016 | Thousands of U.S. dollars | | | |
|--------------------------|---------------------------|--------|-------------------|----------------------|
| | Transactions | | Balances | |
| | Guaranty money deposited | Rent | Other investments | Other current assets |
| Terutaka Ikeda (Auditor) | — | \$ 124 | \$ 124 | \$ 9 |

Note 22. Subsequent events

1. Acquisition of treasury stock

The Company resolved to acquire treasury stock in accordance with Article 165 (3) of the Companies Act at the Board of Directors' meeting held on June 22, 2016.

1) Objective: To enable flexible management in response to changes in the business environment

2) Class of treasury stock: Common stock

3) Total treasury stock the Company may acquire: 2,000,000 shares, at maximum

4) Total acquisition amount: ¥700 million (\$6,212 thousand), at maximum

5) Acquisition period: From July 1, 2016 to August 26, 2016

6) Method of acquisition: Market transactions on the Tokyo Stock Exchange

2. Cancellation of treasury stock

The Company resolved to cancel treasury stock in accordance with Article 178 of the Companies Act at the Board of Directors' meeting held on June 22, 2016.

1) Class of treasury stock: Common stock

2) Total treasury stock cancelled: 4,000,000 shares (5.06% of total number of treasury stock issued before cancellation)

3) Date of cancellation: June 30, 2016

4) Total number of treasury stock issued after cancellation: 75,000,000 shares



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan
Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.ey.com

Independent Auditor's Report

The Board of Directors
SMK Corporation

We have audited the accompanying consolidated financial statements of SMK Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMK Corporation and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 22, 2016
Tokyo, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

Directors



Yasumitsu Ikeda
President,
Chief Executive Officer and
Chief Operating Officer



Yoshio Sakurai
Director and
Executive Deputy President



Yoshiyuki Kaku
Director and
Executive Vice President,
Chief Technology Officer



Mikio Wakabayashi
Director and
Executive Vice President



Paul Evans
Director and
Executive Vice President



Toshio Nakamura
Director

Auditors



Tetsuya Nakamura
Auditor and
Chairman of Auditors
Meeting



Naru Nakashima
Auditor



Ichiro Shimizu
Auditor



Morikazu Fukui
Auditor

Corporate Executive Officers



Kohei Ohgaki
Executive Vice President,
Chief Financial Officer



Shigechika Yanagi
Executive Vice President



Hideo Matsumoto
Vice President



Hiroshi Miyakawa
Vice President



Takemi Ishibashi
Vice President



Harutaka Seki
Vice President



Masanobu Ikee
Vice President



Mitsuhiro Goto
Vice President



Tetsuo Hara
Vice President



Mitsuyuki Masubuchi
Vice President



Hiroshi Usami
Vice President,
Chief Information Officer

Corporate Information

(As of March 31, 2016)

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) | 6,179 |
| Head office | 5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan Tel: +81-3-3785-1111 Fax: +81-3-3785-1878 |

Global Network

| | |
|------------------------------------|---|
| Domestic Bases (9 Bases) | Shinagawa, Tokyo (Head office) Gate City Ohsaki, Toyama, Hitachi, Osaka, Nagoya, Ibaraki, Hokuriku and Fukuoka |
|------------------------------------|---|

| | |
|---|---|
| Overseas Bases (18 Countries/Areas, 38 Bases) | Taiwan, Hong Kong, China, Singapore, Thailand, Malaysia, Philippines, Korea, Ireland, U.K., France, Germany, Belgium, Hungary, Slovakia, U.S.A., Mexico and Brazil |
|---|---|



Head Office



Gate City Office

Shares and Shareholders

| | |
|-------------------------------|-------------|
| Authorized shares | 195,961,274 |
| Issued shares | 79,000,000 |
| Number of shareholders | 7,175 |

| Major Shareholders (top ten) | Shares Owned (1,000 shares) | Percentage of Shares (%) |
|---|--------------------------------|-----------------------------|
| Mizuho Bank, Ltd. | 3,480 | 4.96 |
| Nippon Life Insurance Company | 3,241 | 4.62 |
| Dai Nippon Printing Co., Ltd. | 3,200 | 4.56 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 3,032 | 4.32 |
| SMK Cooperating Company Share Holding Association | 2,964 | 4.22 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 2,774 | 3.95 |
| 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 | 1,704 | 2.43 |
| The Showa Ikeda Memorial Foundation | 1,500 | 2.14 |

Note: SMK holds 8,809 thousand shares of treasury stock, but these are excluded from the above list. Figures for percentage of shares are calculated excluding the treasury stock.

Share ownership by shareholder type (unit : share)

| | |
|-------------------------------|---------------------|
| Financial institutions | 25,788,685 (32.65%) |
| Financial instruments dealers | 646,343 (0.82%) |
| Other entities | 9,772,718 (12.37%) |
| Foreign entities, etc. | 10,501,143 (13.29%) |
| Individuals and others | 32,291,111 (40.87%) |

Please see our website for detailed IR information.

The IR Information section of SMK' s website includes annual reports and presentation materials. The website also carries information about SMK' s products, corporate data, CSR initiatives, and commitment to the environment.

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

SMK CORPORATION

5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, JAPAN
Tel: +81-3-3785-1111 Fax: +81-3-3785-1878