

## SEMI ANNUAL REPORT 2014

For the six months ended September 30, 2014



SMIK CORPORATION

# Financial Highlights

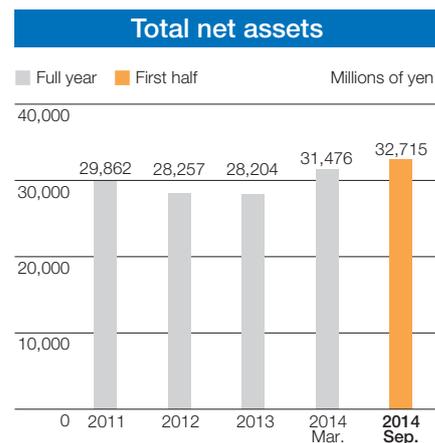
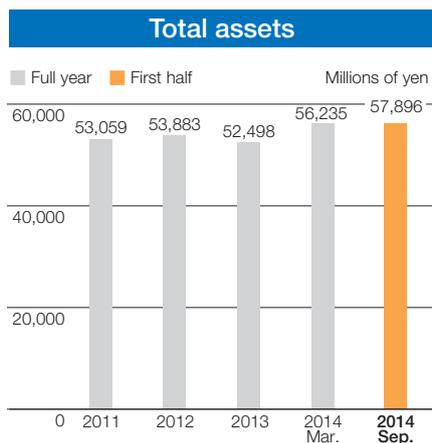
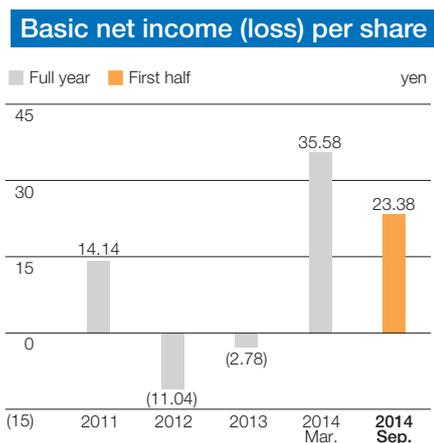
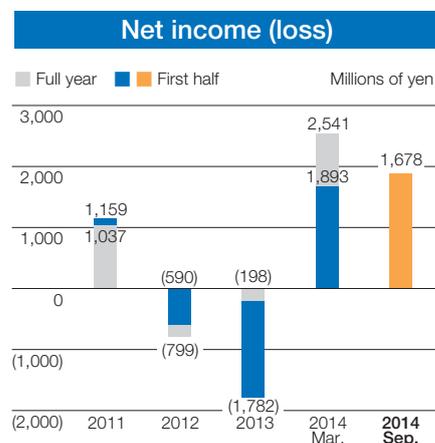
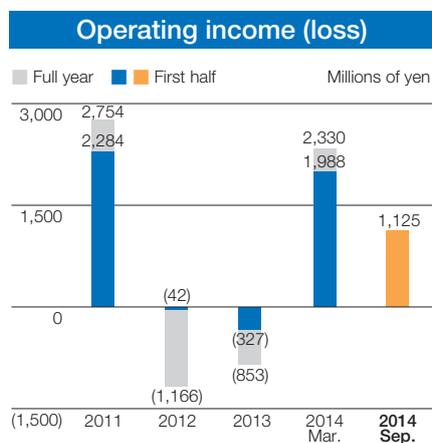
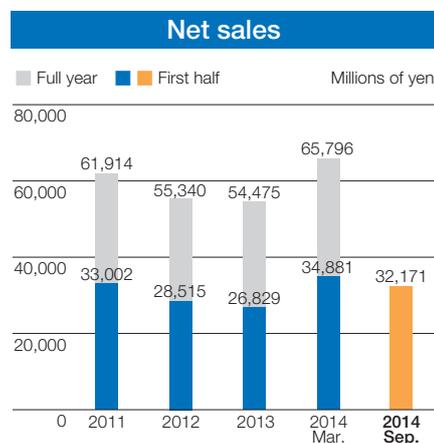
SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2013	Six months ended September 30 2014	Six months ended September 30 2014
<b>Operating Results</b>			
Net sales	¥ 34,881	¥ 32,171	\$ 293,933
Operating income	1,988	1,125	10,279
Net income	1,892	1,678	15,331

	As of March 31 2014	As of September 30 2014	As of September 30 2014
	<b>Financial Position</b>		
Total assets	¥ 56,235	¥ 57,896	\$ 528,972
Total net assets	31,476	32,715	298,904

	Yen		U.S. dollars
	Six months ended September 30 2013	Six months ended September 30 2014	Six months ended September 30 2014
<b>Per Share Data</b>			
Net income :			
Basic	¥ 26.58	¥ 23.38	\$ 0.21
Diluted	—	¥ 23.35	\$ 0.21

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥109.45 = U.S. \$1.00.



## To Our Shareholders and Investors

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

We would like to report on the outline and results of the SMK Group's businesses for the half period of the 93rd fiscal year (from April 1, 2014, to September 30, 2014).

We look forward to your continuing support and encouragement.

November 2014

**Yasumitsu Ikeda**  
President and COO



## Performance Overview

During the half period of the 93rd fiscal year ended September 30, 2014, the global economy saw a moderate recovery. The U.S. economy showed continued steady economic expansion, mainly reflecting improved employment. Although economic recovery slowed down in Europe, stable growth continued in China, which maintained a growth rate of 7% level. The Japanese economy, which was on a recovery path from a plunge following the raise in the consumption tax, saw improvements in corporate earnings and capital investment, whereas sluggishness remained in business confidence due to a stagnation in production activities and a delay in the recovery of consumer spending.

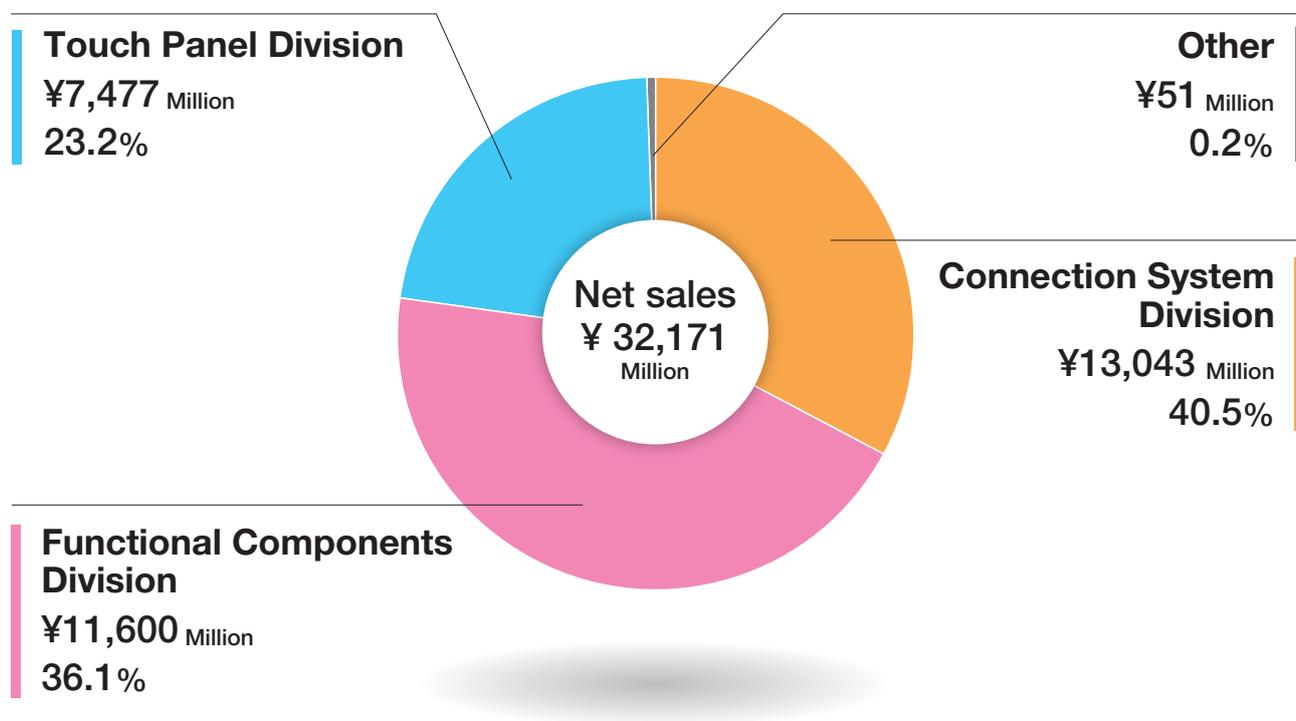
Under these circumstances, the SMK Group maintained steady sales of products for the automobile market. In the information and communication market, sales of products for smartphones expanded significantly as our new products for the China area were increasingly adopted there and an increasing number of our products were employed as standard components. However, such favorable factors were not enough to offset a plunge in sales to some of our customers, resulting in year-on-year decreases both in the SMK Group's consolidated net sales and income for the half period of the 93rd fiscal year ended September 30, 2014.

The Group intends to engage in concerted efforts to recover business performance for the full year ending March 2015 by increasing sales of our main products for automobiles, smartphones, and set-top boxes, etc., while reducing costs and reinforcing our global-scale production, development and sales structure.

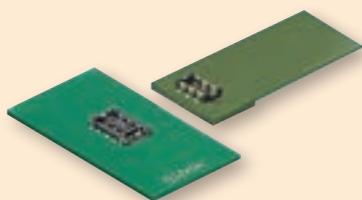
April 2015 marks the 90th anniversary of us. At this commemorative opportunity, to express appreciation to our shareholders, we determined to add a commemorative dividend of ¥2 per share to the ordinary dividend of ¥5 per share as a year-end dividend for the fiscal year ending March 31, 2015. With deep gratitude to you for your long-term support, we will continue to pursue further expansion of our earning capabilities.

## Overview of Consolidated Results by Division

(April 1, 2014 to September 30, 2014)



### Connection System Division



#### FPC to Board connector

Application:  
Smartphones, tablet PCs,  
mobile phones

#### Major Products

- RF coaxial connectors
- Board to Board connectors
- FPC connectors
- Jacks

In the information communication market, customers in China area to which sales of our main products for smartphones have been growing remarkably increasingly employed our products as standard components, leading to a significant advance in sales. Sales of our products to Japanese and U.S. customers were sluggish due to stagnant sales of devices and the delayed launch of our products. In the automobile market, demand expanded for infotainment and safe driving areas in which we have special competence. In the environmental market, with regard to products for solar systems, which is another area of our strength, we maintained the number of our products employed overseas although Japanese competitors are struggling in this field. We are also accumulating business results in the LED lighting and healthcare fields, striving for further sales expansion.

## Functional Components Division



Standard RF remote control

Application:  
TVs, set-top boxes,  
home network related devices

### Major Products

- Remote controls
- Wireless devices units
- Switches
- Camera modules

Sales of remote controls, our mainstay products, continued to progress favorably, acquiring new customers not only in North America, our major market, but also in the Chinese market for overseas Internet protocol set-top boxes that offer movie, music and game play. With regard to the automobile market, we newly entered camera modules and switches fields, and expanded sales. Going forward, we will focus on HEMS related field, which recently has been drawing attention, in addition to our products for set-top boxes and automobiles.

## Touch Panel Division



OGS capacitive touch panel

Application:  
Car navigation systems,  
Audio Visual Display

### Major Products

- Resistive touch panels
- Capacitive touch panels
- Optical touch panels

Sales of our products for automobiles remained favorable. Due to the growth of the Chinese market in addition to the North American market, our major market, sales of our products for car navigation systems progressed as planned. However, for the industrial machinery market, we struggled, caught up in the fierce price competition in the ATM market. As we have started businesses for new markets such as home appliances and wearable devices, we will strive to obtain information concerning markets with future potential before competitors and aggressively develop new technologies and products and expand sales.

# Establishment of a photovoltaic power plant at the Ibaraki site

With the aim of protecting the environment and cutting CO<sub>2</sub> emissions, we established a photovoltaic power plant at the Ibaraki site on July 28, 2014. This photovoltaic power plant's anticipated annual power generation will be 330,000kWh, which is equivalent to the annual used power of about 100 standard households. The CO<sub>2</sub> and oil reduction effects are expected to be 105t-CO<sub>2</sub> per annum and about 76kL per annum (about 379 drums), respectively.

Our key eco-product, the connector for photovoltaic module (PV-03 Series), is used in photovoltaic power generation modules.

We regards ecological measures as a priority management theme. In the development of our "Eco-Products" with environmental consideration, we focused on the development and supply of components for customers' ecology related products such as photovoltaic power generation systems and LED lighting, while developing energy-saving and high-efficiency components, saving resources by making products lighter and smaller, and reducing the environmental burden throughout our production processes.

Going forward, we intend to promote corporate management harmonized with the global environment.



Exterior view of our photovoltaic power plant

Connector for photovoltaic module (PV-03 Series)



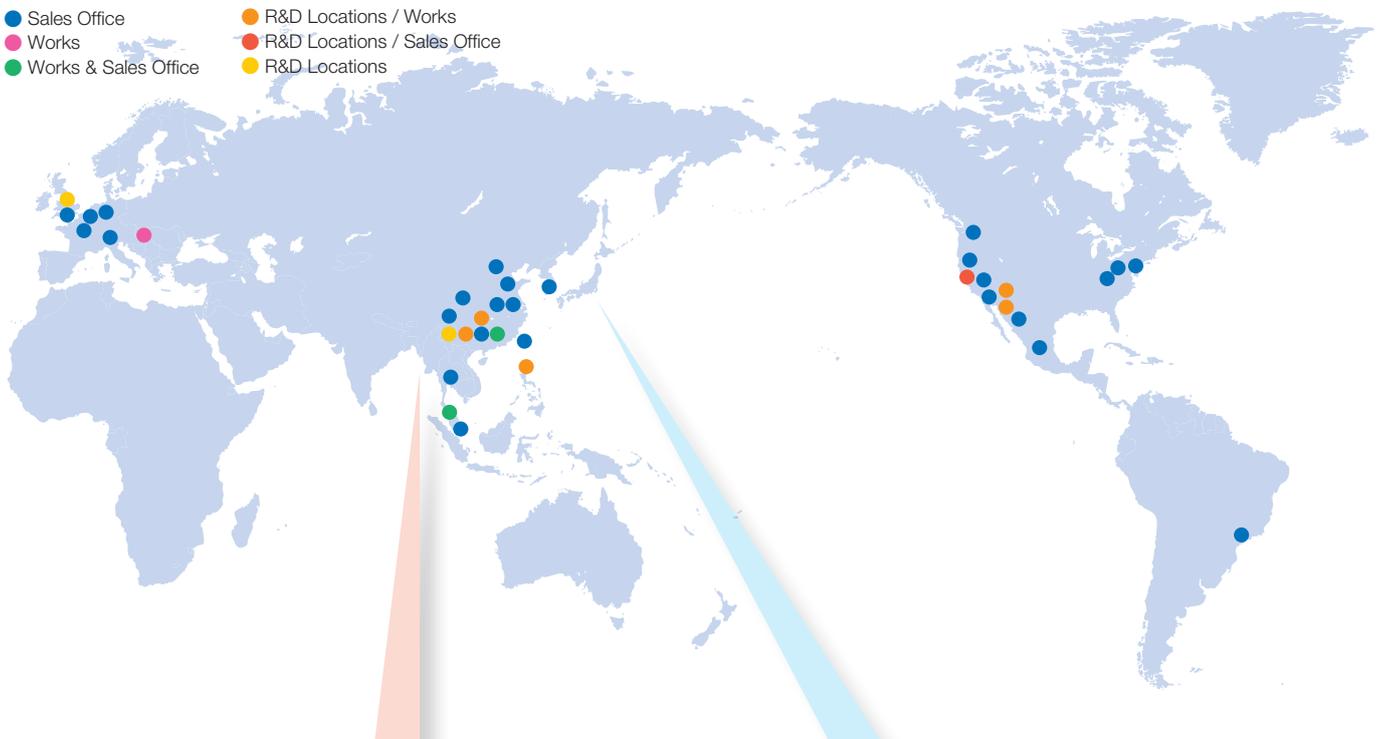
### Outline of the facility of the photovoltaic power plant

Installation area	4,183m <sup>2</sup>
Number of photovoltaic power generation modules	1,316pcs
Number of Connectors for photovoltaic modules	8,000pcs
Module capacity	322.46kW
Anticipated annual power generation	333,844kWh

## Ever-Evolving SMK Global Network

The year 2015 marks the 90th anniversary of our Company. During its long history, starting in 1973 when the Company established a sales base in the United States, the Company has globally developed production and sales bases rooted in the local community. Currently, the SMK Group has 6,192 employees (as of September 2014), of whom approximately 90% are working overseas.

With the concerted efforts of all the employees of the SMK Group, we will continue to offer even better products that address the needs of customers, thereby contributing to society as a company that can live up to all of your trust.



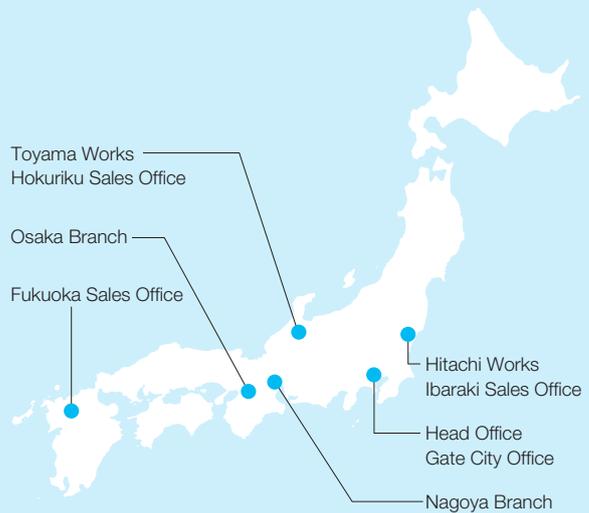
### Sales Expansion Activities in Southeast Asia and India

In Southeast Asia and India, we are expanding sales in new fields such as automobiles, LED streetlights and photovoltaic power generation. As one such measure, we released the “LT Series” of LED lighting connectors. Given that LED lighting has been increasingly adopted for streetlights to save energy in many countries, we are conducting aggressive proposal activities. In July 2014, we established a representative office in Thailand, reinforcing our business structure to expand business in Southeast Asia.



LED lighting connectors

### Domestic Bases



# Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries

Assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2014	As of September 30 2014	As of September 30 2014
<b>Current assets</b>			
Cash and cash equivalents	¥ 11,134	¥ 10,386	\$ 94,893
Time deposits	93	99	905
Notes and accounts receivable, trade	14,681	16,089	146,999
Allowance for doubtful accounts	(36)	(33)	(302)
Inventories	5,905	5,951	54,372
Deferred tax assets	744	466	4,258
Other current assets	2,704	3,406	31,118
	35,225	36,364	332,243
<b>Investments and long-term loans</b>			
Investment securities	2,656	2,844	25,984
Long-term loans receivable	126	102	932
Other investments	1,146	627	5,729
Allowance for doubtful accounts	(111)	(111)	(1,015)
	3,817	3,462	31,630
<b>Property, plant and equipment</b>			
Land	4,254	4,253	38,858
Buildings	17,337	17,555	160,393
Machinery and vehicles	18,276	19,679	179,799
Tooling and office furniture	21,753	22,921	209,420
Construction in progress	246	346	3,161
	61,866	64,754	591,631
Less-accumulated depreciation	(45,035)	(47,120)	(430,516)
	16,831	17,634	161,115
<b>Other assets</b>			
Deferred tax assets	167	182	1,663
Intangible assets	195	254	2,321
	362	436	3,984
<b>Total assets</b>	¥ 56,235	¥ 57,896	\$ 528,972

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥109.45 = U.S. \$1.00.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2014	As of September 30 2014	As of September 30 2014
<b>Current liabilities</b>			
Short-term loans payable	¥ 5,119	¥ 5,823	\$ 53,202
Notes and accounts payable, trade	3,733	3,920	35,815
Accrued income taxes	798	373	3,408
Accrued bonus	1,069	754	6,889
Accounts payable, non-trade	5,928	7,114	64,998
Other current liabilities	1,475	1,620	14,802
	18,122	19,604	179,114
<b>Long-term liabilities</b>			
Long-term debt	5,447	4,364	39,872
Accrued directors' and officers' retirement benefits	180	113	1,032
Liability for retirement benefits	36	44	402
Other long-term liabilities	974	1,056	9,648
	6,637	5,577	50,954
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock			
Authorized : 195,961,274 shares			
Issued and outstanding : 79,000,000 shares	7,996	7,996	73,056
Capital surplus	12,327	12,326	112,618
Retained earnings	15,982	16,594	151,613
Treasury stock	(3,434)	(3,427)	(31,312)
	32,871	33,489	305,975
<b>Accumulated other comprehensive income</b>			
Net unrealized gains (losses) on other securities	274	429	3,920
Foreign currency translation adjustments	(2,171)	(1,638)	(14,974)
Retirement benefit asset and liability adjustments	463	398	3,636
	(1,434)	(811)	(7,418)
<b>Subscription rights to shares</b>	39	38	347
	31,476	32,715	298,904
<b>Total liabilities and net assets</b>	¥ 56,235	¥ 57,896	\$ 528,972

## Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2013	Six months ended September 30 2014	Six months ended September 30 2014
<b>Net sales</b>	¥ 34,881	¥ 32,171	\$ 293,933
<b>Cost of sales</b>	28,389	26,554	242,613
<b>Selling, general and administrative expenses</b>	4,504	4,492	41,041
<b>Operating income</b>	1,988	1,125	10,279
<b>Other income</b>			
Interest and dividend income	37	55	503
Rent income	373	370	3,381
Foreign exchange gain, net	575	979	8,945
Gain on sales of fixed assets	34	20	183
Gain on sales of investment securities	0	90	822
Other	119	142	1,296
<b>Total other income</b>	1,138	1,656	15,130
<b>Other expenses</b>			
Interest expense	53	47	429
Rent expense	125	144	1,316
Loss on disposal of fixed assets	151	10	91
Loss on impairment of fixed assets	142	99	905
Other	85	51	466
<b>Total other expenses</b>	556	351	3,207
<b>Income before income taxes and minority interests</b>	2,570	2,431	22,202
<b>Income taxes</b>			
Current	767	358	3,271
Deferred	(90)	394	3,600
<b>Income before minority interests</b>	1,893	1,678	15,331
<b>Net income</b>	¥ 1,893	¥ 1,678	\$ 15,331

Per share data	Yen	U.S. dollars	
Net income			
Basic	¥ 26.58	¥ 23.38	\$ 0.21
Diluted	—	¥ 23.35	\$ 0.21

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥109.45 = U.S. \$1.00.

## Consolidated Statements of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2013	Six months ended September 30 2014	Six months ended September 30 2014
<b>Income before minority interests</b>	¥ 1,893	¥ 1,678	\$ 15,331
<b>Other comprehensive income</b>			
Net unrealized gains (losses) on other securities	191	154	1,407
Foreign currency translation adjustments	251	533	4,870
Retirement benefit asset and liability adjustments	—	(64)	(585)
<b>Total other comprehensive income</b>	442	623	5,692
<b>Comprehensive income</b>	¥ 2,335	¥ 2,301	\$ 21,023
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company	¥ 2,335	¥ 2,301	\$ 21,023

# Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2013	Six months ended September 30 2014	Six months ended September 30 2014
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 2,570	¥ 2,431	\$ 22,211
Depreciation and amortization	1,536	1,609	14,701
Loss on impairment of fixed assets	142	99	905
Amortization of goodwill	30	—	—
Increase (decrease) in accrued bonus	345	(324)	(2,960)
Increase (decrease) in accrued directors' and officers' retirement benefits	12	(68)	(621)
Increase (decrease) in accrued employees' retirement benefits	37	—	—
Increase (decrease) in liability for retirement benefits	—	(278)	(2,540)
Interest and dividend income	(37)	(55)	(503)
Interest expense	53	47	429
Loss on disposal of fixed assets	151	10	91
(Increase) decrease in notes and accounts receivable, trade	(1,849)	(391)	(3,572)
(Increase) decrease in inventories	(109)	215	1,964
Increase (decrease) in notes and accounts payable, trade	361	(906)	(8,278)
(Increase) decrease in accounts receivable, non-trade	(493)	(533)	(4,870)
Increase (decrease) in accounts payable, non-trade	1,212	989	9,036
Other	(47)	(122)	(1,114)
Subtotal	3,917	2,723	24,879
Interest and dividends received	37	79	722
Interest paid	(53)	(50)	(457)
Income taxes paid	(381)	(815)	(7,446)
<b>Net cash provided by (used in) operating activities</b>	<b>3,520</b>	<b>1,937</b>	<b>17,698</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(42)	(43)	(393)
Proceeds from time deposits	38	43	393
Purchases of fixed assets	(1,790)	(1,961)	(17,917)
Proceeds from sale of fixed assets	138	60	548
Purchases of intangible fixed assets	(54)	(93)	(850)
Purchases of investment securities	(491)	—	—
Proceeds from sale of investment securities	456	126	1,151
Payment for execution of loans	(46)	(39)	(356)
Collection of loans receivable	53	45	411
Other	(2)	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>(1,740)</b>	<b>(1,862)</b>	<b>(17,013)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term loans payable	1,737	(100)	(914)
Proceeds from long-term debt	1,500	—	—
Payments of long-term debt	(1,850)	(344)	(3,143)
Purchases of treasury stock	(3)	(3)	(27)
Proceeds from sale of treasury stock	22	8	73
Dividends paid	(354)	(359)	(3,280)
<b>Net cash provided by (used in) financing activities</b>	<b>1,052</b>	<b>(799)</b>	<b>(7,291)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(67)</b>	<b>(39)</b>	<b>(356)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,765</b>	<b>(763)</b>	<b>(6,962)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>8,631</b>	<b>11,134</b>	<b>101,737</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>—</b>	<b>14</b>	<b>118</b>
<b>Cash and cash equivalents at end of six months and the year</b>	<b>¥ 11,396</b>	<b>¥ 10,386</b>	<b>\$ 94,893</b>

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥109.45 = U.S. \$1.00.

# Corporate Information

(As of September 30, 2014)

## Corporate Data

<b>Name</b>	SMK Corporation
<b>Established</b>	April 3, 1925
<b>Registered</b>	January 15, 1929
<b>Primary business</b>	Manufacture and sale of various parts for electro-communication device and electronic equipment
<b>Capital</b>	¥7,996,828,021
<b>Stock exchange listing</b>	Tokyo Stock Exchange
<b>Administrator of shareholders register</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Independent auditors</b>	Ernst & Young ShinNihon LLC Tokyo, Japan
<b>Employees (SMK-Group)</b>	6,192
<b>Head office</b>	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan TEL : 81-3-3785-1111 FAX : 81-3-3785-1878

## Shares and Shareholders

<b>Total number of Authorized shares</b>	195,961,274	
<b>Total number of Issued shares</b>	79,000,000	
<b>Number of shareholders</b>	8,474	
Major shareholders (top ten)		
	Shares owned (1,000 shares)	Percentage of shares (%)
Mizuho Bank, Ltd.	3,531	4.90
Nippon Life Insurance Company	3,241	4.50
Dai Nippon Printing Co., Ltd.	3,200	4.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,924	4.06
Japan Trustee Services Bank, Ltd. (Trust Account)	2,895	4.02
SMK Cooperating Company Share Holding Association	2,872	3.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,508	3.48
Mitsubishi UFJ Trust and Banking Corporation	1,800	2.50
SMK Employees Share Holding Association	1,714	2.38
The Showa Ikeda Memorial Foundation	1,500	2.09

Note: SMK holds 7,040 thousand shares of treasury stock, but these are excluded from the above list. Figures for percentage of shares are calculated excluding the treasury stock.

## Board of Directors and Corporate Auditors

### Directors

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

### Auditors

Chairman of Auditors Meeting	Terutaka Ikeda
Statutory Auditor	Hajime Yamada
Statutory Auditor	Kouichiro Sugihara
Statutory Auditor	Naru Nakashima

### Corporate Executive Officers

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



5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, JAPAN

Telephone: 81-3-3785-1111 Fax: 81-3-3785-1878

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