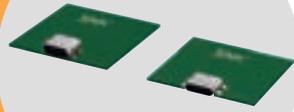


SEMI ANNUAL REPORT

2018

For the six months ended September 30, 2018

Connection System Division

Two green printed circuit boards (PCBs) with silver USB Type-C receptacles are shown against a light gray background.

USB Type-C™ Receptacle

Functional Components Division

A black, cube-shaped automotive camera module with a lens on the front face.

2 Million-Pixel Automotive Camera Module

Research & Development Center

A small, green PCB with a silver metal shield and a gold-plated edge connector.

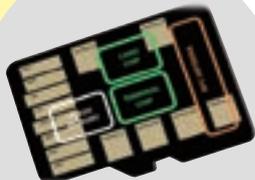
Bluetooth® low energy Module "BTS05 Series"

Touch Panel Division

A black tablet device displaying a landscape image of a sunset over water.

CapDuo Touch-2

SMK LOGOMOTION

A black PCB with various electronic components and a gold-plated edge connector.

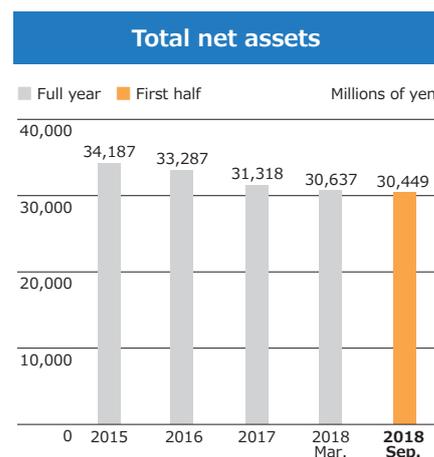
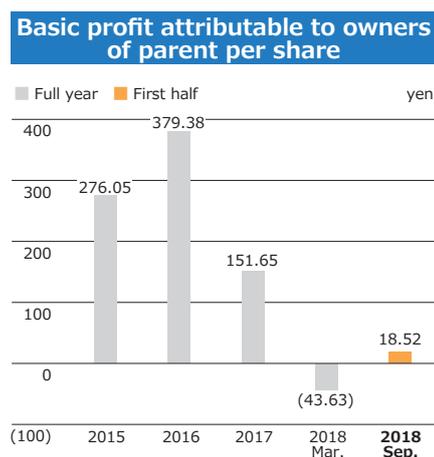
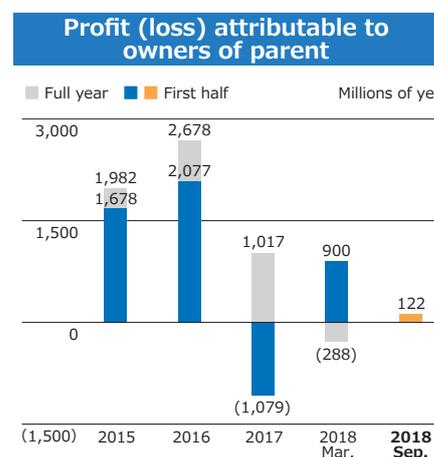
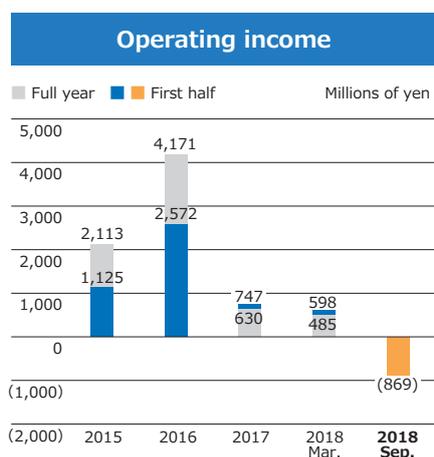
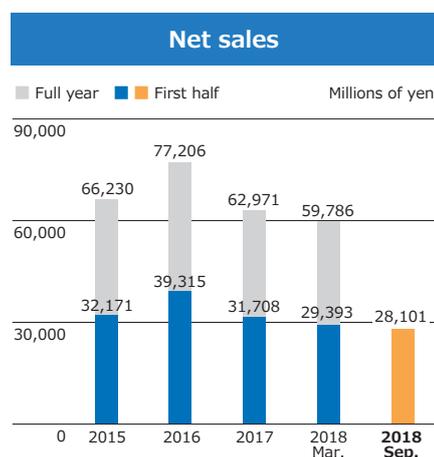
LGMCard

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2017	Six months ended September 30 2018	Six months ended September 30 2018
Operating Results			
Net sales	¥ 29,393	¥ 28,101	\$ 247,433
Operating income (loss)	598	(869)	(7,652)
Profit attributable to owners of parent	900	122	1,074

	As of March 31 2018	As of September 30 2018	As of September 30 2018
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Financial Position			
Total assets	¥ 61,474	¥ 61,566	\$ 542,097
Total net assets	30,637	30,449	268,108

	Yen		U.S. dollars
	Six months ended September 30 2017	Six months ended September 30 2018	Six months ended September 30 2018
Per Share Data			
Profit attributable to owners of parent			
Basic	¥ 136.15	¥ 18.52	\$ 0.16

Note: 1 The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥113.57 = U.S. \$1.00.
 2 The Company conducted a share consolidation of its common shares at the ratio of 10 shares to 1 share effective October 1, 2018. Profit attributable to owners of parent has been calculated on the assumption that the share consolidation was conducted at the beginning of the previous fiscal year.
 3 The Company's shares owned by the trust account for the Board Benefit Trust (BBT) introduced in the second quarter of the consolidated fiscal year ending March 31, 2019 have been included in the treasury shares deducted from the calculation of the average number of shares during the year.



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 first half of the 97th fiscal year (from April 1, 2018 to September 30, 2018).

We look forward to your continuing support and encouragement.

November 2018

Yasumitsu Ikeda
President, CEO and COO



Performance Overview

During the first half of the 97th fiscal year ended September 30, 2018, the global economy maintained moderate growth, despite heightened concerns over trade friction due to the implementation of additional tariff measures by the U.S. and China. The Japanese economy also maintained moderate growth, partly due to the recovery of exports and personal consumption.

The SMK Group enjoyed steady growth in sales of connectors for automotive cameras and high-speed transmissions in the car electronics market; however, sales growth of connectors in the healthcare market slowed. We succeeded in winning orders for new products of remote control units for set-top boxes for U.S. customers, and these are expected to contribute to business results in the future. On the other hand, sales of products such as connectors for smartphones for Chinese and U.S. customers in ICT market and touch panels for car electronics were sluggish due to intensified competition.

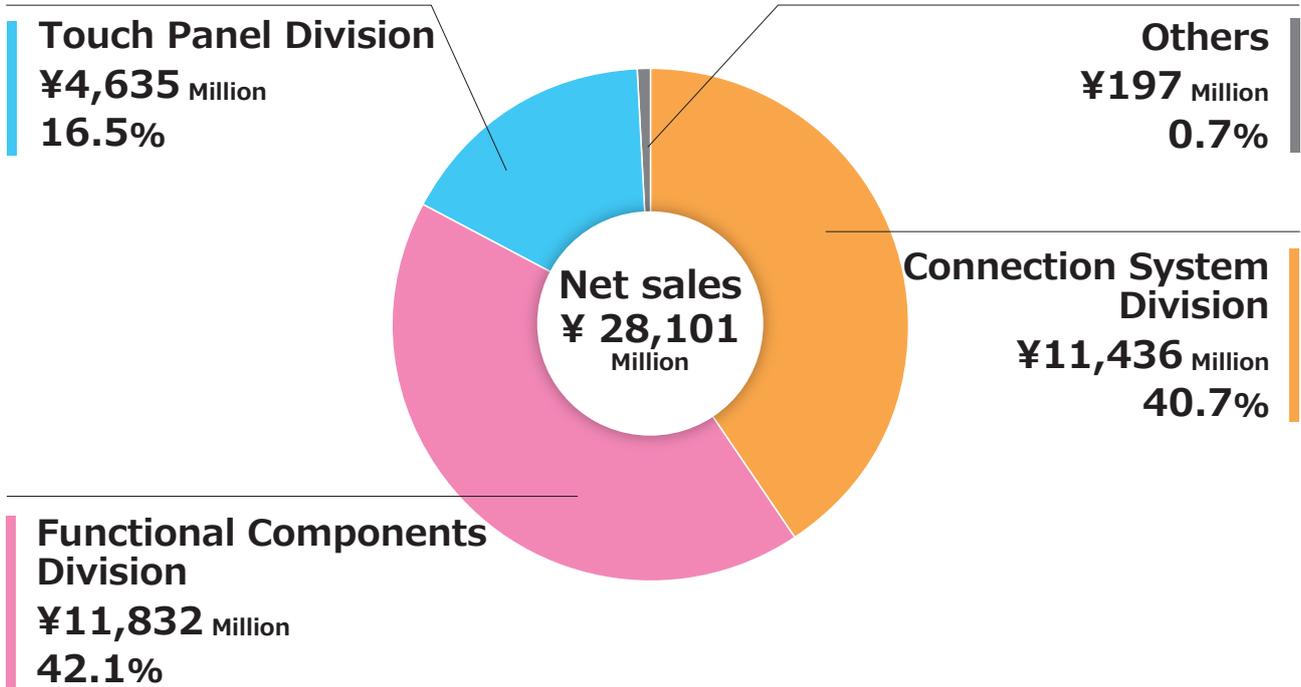
Both net sales and profit for the first half decreased year on year due to negative factors such as the impact of the product mix and increased development costs associated with new products, despite initiatives to expand sales in our growth markets and efforts to reduce fixed costs.

In such an environment, with the aim of achieving sustainable growth, the SMK Group will proceed proactively with efforts to continuously expand our mainstay businesses and develop new markets, as well as create new businesses by cooperating with partner companies and promoting Open Innovation.

Under our Business Strategy slogan of "CREATIVE CONNECTIVITY," we will maintain a spirit of challenge to solve the apparent and potential issues which society and customers face, the creativity to generate ingenious ideas, and the capability to come up with solutions to these issues, aiming to contribute to the creation of a better society and future.

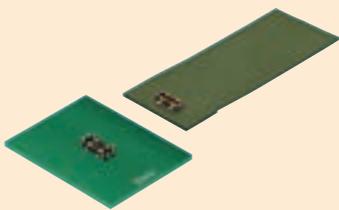
Overview of Consolidated Results by Division

(April 1, 2018 to September 30, 2018)



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

Connection System Division



FPC to Board Connectors FB-9 Series for Battery Connection

Applications:
Smartphones, tablet PCs,
wearable devices

Major Products

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

Sales of connectors in the car electronics market continued to show steady growth with the accelerating development of car electronics serving as a tailwind. Sales of connectors for automotive cameras, which are maintaining a high market share, and those for high-speed transmissions also expanded steadily. In the ICT market, however, sales of connectors for smartphones struggled due to intensified competition with other connector manufacturers for supply to customers in China and the U.S., and fell year on year. Sales of connectors for the industry market decreased year on year, as connectors for healthcare-related products, which had enjoyed steady growth, saw a sufficient spread in its mainstay market to slow the growth in demand.

Functional Components Division



ECHONETLite™ Adapter (Wired)

Applications:

Air conditioners, water heaters, underfloor heating, entrance doors, shutters, windows, etc. in detached houses and condominiums

Major Products

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

Sales of remote control units, our mainstay products, increased year on year, as we succeeded in winning orders from U.S. customers for new products for set-top boxes, in addition to the continued solid expansion of those for sanitary and home equipment. As for units, sales increased sharply year on year as sales of units for home equipment and automotive camera modules expanded steadily. Sales of switches increased year on year due to expanded sales of those for smartphones and car electronics.

Touch Panel Division



“D2 F/G-CNT” Resistive Film/ Glass Touch Panel

Applications:

Office equipment, machine tools, hand-held terminals, etc.

Major Products

- Resistive Touch Panels
- Capacitive Touch Panels

In the touch panel business, the market environment is changing significantly as demand sharply shifts from resistive touch panels to capacitive touch panels not only for our mainstay car electronics market but also for other markets. Amid such changes in the market environment, although sales in our mainstay car electronics market remained steady in North America mainly for capacitive touch panels, demand decreased slightly for touch panels for European vehicles. In markets other than the car electronics market, however, sales of resistive touch panels for machine tools and office equipment, and sales of capacitive touch panels for wearable devices showed a steady increase year on year, resulting in a minor drop in overall sales from the previous year.

Connection System Division: Waterproof FAKRA Connector

This is a FAKRA-compliant coaxial connector developed for antennas, automotive cameras and vehicle-side electronic control units (ECU). The product boasts excellent waterproof performance, yet is compact in design with highly consistent, high-frequency characteristics. We intend to continue to expand our business in response to the increased demand for use in automotive devices.



Applications:
Automotive devices (for antennas and camera modules)

Functional Components Division: Temperature Sensor

We developed temperature sensor in response to the need to collect environmental data due to the expansion of the HEMS/BEMS market. As Sub-GHz wireless communication covers a long distance, it is possible to transmit temperature information measured over wide areas, including detached houses, factories, offices and stores. Featuring low power consumption, the sensor operates for over five years (depending on the usage environment) on a single coin battery. We will continue to develop products that contribute to the advancement of smart homes and smart offices.



Applications:
Home/Building Energy Management Systems (HEMS/BEMS)

Touch Panel Division: Controller for Compact (Below 2-inch) Capacitive Touch Panel with a Single Film Layer Structure

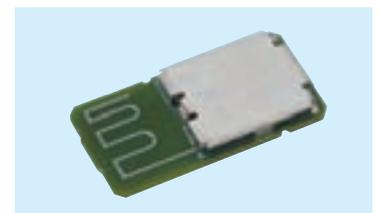
New information terminals other than smartphones, such as smartwatches and AI speakers, have appeared due to the spread of the Internet of Things (IoT). As a result, there is a growing demand for small, round touch panels due to the increasing number of devices requiring touch operations. In order to meet these market demands, we have developed standard controllers for small, circular touch panels and for touch panel control, and started sales activities.



Applications:
Smartwatches, wearable devices, AI speakers

Research & Development Center: Bluetooth® low energy Module “BTS05 Series”

SMK has developed a small Bluetooth® low energy module “BTS05 series” supporting Bluetooth® Version 5.0. It is compliant with 2M PHY for LE, the physical layer specification which is added as part of Bluetooth® Version 5.0, contributing to an improved transmission speed compared to SMK’s previous products.



Applications:
Home automation-related equipment, mobile printers, hand-held terminals, and other office equipment

SMK-LOGOMOTION: SLC NFC Small Antenna

SMK-LOGOMOTION has developed a miniature antenna, in addition to microSD cards, for use in Near Field Communication (NFC) and started sales activities. This miniature antenna is ideal for small devices thanks to its reduced size (9 mm×0.95 mm×0.8 mm) which occupies less than one-tenth the area of conventional antennas with similar capabilities (ca. 15 mm×15 mm). We will continue to expand the lineup of miniature NFC antennas.



Applications:
NFC-equipped devices (e.g. smartphones, smartwatches and payment terminals)

Assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2018	As of September 30 2018	As of September 30 2018
Current assets			
Cash and cash equivalents	¥ 10,482	¥ 9,014	\$ 79,370
Time deposits	117	124	1,092
Notes and accounts receivable, trade	15,251	15,304	134,754
Allowance for doubtful accounts	(56)	(59)	(520)
Inventories	8,775	9,016	79,387
Other current assets	1,439	1,083	9,536
	36,009	34,482	303,619
Investments and long-term loans			
Investment securities	2,460	2,590	22,805
Long-term loans receivable	93	88	775
Asset for retirement benefits	1,440	1,514	13,331
Other investments	599	641	5,644
Allowance for doubtful accounts	(87)	(87)	(766)
	4,506	4,747	41,798
Property, plant and equipment			
Land	6,615	6,616	58,255
Buildings	19,320	19,872	174,976
Machinery and vehicles	22,077	24,166	212,785
Tooling and office furniture	23,050	23,230	204,543
Construction in progress	327	425	3,742
	71,390	74,312	654,328
Less-accumulated depreciation	(51,265)	(52,888)	(465,686)
	20,124	21,423	188,633
Other assets			
Deferred tax assets	618	725	6,384
Intangible assets	215	187	1,647
	834	912	8,030
Total assets	¥ 61,474	¥ 61,566	\$ 542,097

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 113.57 = U.S. \$1.00.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2018	As of September 30 2018	As of September 30 2018
Current liabilities			
Short-term loans payable	¥ 12,731	¥ 13,959	\$ 122,911
Notes and accounts payable, trade	6,807	6,126	53,940
Accrued income taxes	542	395	3,478
Accrued bonuses	668	639	5,626
Accrued directors' and officers' bonuses	1	—	—
Accounts payable, non-trade	1,919	1,479	13,023
Other current liabilities	1,688	1,755	15,453
	24,358	24,355	214,449
Long-term liabilities			
Long-term debt	4,526	4,721	41,569
Deferred tax liabilities	1,000	1,052	9,263
Accrued directors' and officers' retirement benefits	171	184	1,620
Liability for retirement benefits	40	50	440
Other long-term liabilities	738	751	6,613
	6,478	6,761	59,532
Net assets			
Shareholders' equity			
Common stock			
Authorized : 195,961,274 shares			
Issued : 75,000,000 shares	7,996	7,996	70,406
Capital surplus	12,057	12,057	106,164
Retained earnings	15,730	15,554	136,955
Treasury stock	(4,001)	(3,973)	(34,983)
	31,783	31,634	278,542
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities	331	380	3,346
Net unrealized gains (losses) from hedging instruments	(9)	(7)	(62)
Foreign currency translation adjustments	(1,907)	(1,914)	(16,853)
Retirement benefits asset and liability adjustments	440	356	3,135
	(1,145)	(1,184)	(10,425)
	30,637	30,449	268,108
Total liabilities and net assets	¥ 61,474	¥ 61,566	\$ 542,097

Note: The Company conducted a share consolidation of its common shares at the ratio of 10 shares to 1 share effective October 1, 2018. The numbers of authorized shares and issued shares represent the figures prior to the share consolidation.

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2017	Six months ended September 30 2018	Six months ended September 30 2018
Net sales	¥ 29,393	¥ 28,101	\$ 247,433
Cost of sales	23,839	24,173	212,847
Selling, general and administrative expenses	4,954	4,797	42,238
Operating income (loss)	598	(869)	(7,652)
Other income			
Interest and dividend income	48	49	431
Rent income	614	545	4,799
Foreign exchange gain, net	72	759	6,683
Gain on sales of fixed assets	41	15	132
Gain on sales of investment securities	—	195	1,717
Gain on redemption of investment securities	46	—	—
Other	151	174	1,532
Total other income	974	1,740	15,321
Other expenses			
Interest expense	55	47	414
Rent expense	280	282	2,483
Loss on disposal of fixed assets	58	69	608
Loss on valuation of investment securities	178	—	—
Loss on impairment of fixed assets	271	—	—
Other	54	51	449
Total other expenses	899	451	3,971
Profit before income taxes	674	420	3,698
Income taxes			
Current	380	308	2,712
Deferred	(591)	(10)	(88)
Profit	885	122	1,074
Loss attributable to non-controlling interests	(14)	—	—
Profit attributable to owners of parent	¥ 900	¥ 122	\$ 1,074

Yen

U.S. dollars

Per share data		Yen	U.S. dollars
Profit attributable to owners of parent			
Basic		¥ 136.15	¥ 18.52
			\$ 0.16

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 113.57 = 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 2017	Six months ended September 30 2018	Six months ended September 30 2018
Profit	¥ 885	¥ 122	\$ 1,074
Other comprehensive income			
Net unrealized gains (losses) on other securities	158	49	431
Net unrealized gains (losses) from hedging instruments	(6)	2	18
Foreign currency translation adjustments	286	(6)	(53)
Retirement benefits asset and liability adjustments	(81)	(84)	(740)
Total other comprehensive income	357	(39)	(343)
Comprehensive income	¥ 1,243	¥ 83	\$ 731
Total comprehensive income attributable to:			
Owners of parent	¥ 1,257	¥ 83	\$ 731
Non-controlling interests	(14)	—	—



Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2017	Six months ended September 30 2018	Six months ended September 30 2018
Cash flows from operating activities			
Profit (loss) before income taxes	¥ 674	¥ 420	\$ 3,698
Depreciation and amortization	2,085	1,791	15,770
Loss on impairment of fixed assets	271	—	—
Increase (decrease) in accrued bonuses	144	(29)	(255)
Increase (decrease) in accrued directors' and officers' retirement benefits	(19)	13	114
Increase (decrease) in asset and liability for retirement benefits	(166)	(185)	(1,629)
Interest and dividend income	(48)	(49)	(431)
Interest expense	55	47	414
(Gain) loss on sales of investment securities	(0)	(195)	(1,717)
(Gain) loss on redemption of investment securities	(46)	—	—
(Gain) loss on sales of fixed assets	(40)	(15)	(132)
(Gain) loss on revaluation of investment securities	178	—	—
Loss on disposal of fixed assets	58	69	608
(Increase) decrease in notes and accounts receivable, trade	(1,183)	474	4,174
(Increase) decrease in inventories	(416)	(87)	(766)
Increase (decrease) in notes and accounts payable, trade	(105)	(1,083)	(9,536)
Increase (decrease) in accounts receivable, non-trade	250	67	590
Increase (decrease) in accounts payable, non-trade	248	(1,059)	(9,325)
Other	462	114	1,004
Subtotal	2,402	292	2,571
Interest and dividends received	48	60	528
Interest paid	(54)	(51)	(449)
Income taxes paid	(436)	(234)	(2,060)
Net cash provided by (used in) operating activities	1,959	66	581
Cash flows from investing activities			
Payments into time deposits	(39)	(21)	(185)
Proceeds from time deposits	49	11	97
Purchases of fixed assets	(1,821)	(2,502)	(22,030)
Proceeds from sales of fixed assets	62	42	370
Payments for disposal of fixed assets	(29)	—	—
Purchases of intangible fixed assets	(13)	(36)	(317)
Purchases of investment securities	(218)	(74)	(652)
Proceeds from sales of investment securities	0	240	2,113
Proceeds from redemption of investment securities	68	—	—
Payments for execution of loans	(20)	(13)	(114)
Collection of loans receivable	47	18	158
Other	—	0	0
Net cash provided by (used in) investing activities	(1,914)	(2,335)	(20,560)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	487	2,024	17,822
Proceeds from long-term debt	1,950	1,500	13,208
Payments of long-term debt	(1,408)	(2,099)	(18,482)
Purchases of treasury stock	(1)	(167)	(1,470)
Proceeds from sales of treasury stock	—	161	1,418
Dividends paid	(329)	(263)	(2,316)
Other	—	(4)	(35)
Net cash provided by (used in) financing activities	697	1,150	10,126
Effect of exchange rate changes on cash and cash equivalents	136	(349)	(3,073)
Increase (decrease) in cash and cash equivalents	878	(1,467)	(12,917)
Cash and cash equivalents at beginning of the year	10,011	10,482	92,296
Cash and cash equivalents at end of six months and the year	¥ 10,890	¥ 9,014	\$ 79,370

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 113.57 = U.S. \$1.00.

Donations of School Chairs using Waste Materials from the Philippines Factory

SMK Electronics (Phils.) Corporation, the Group's production works in the Philippines, continues to donate school chairs and drawing books produced in-house from wooden boxes used for packaging and protective paper for glass to elementary schools in the region. So far, SMK has provided children with 635 school chairs and 635 drawing books.



SMK has also started activities to remake rubbish bins and dustpans from empty cans for donation. SMK will continue these activities so that children can learn the importance of environmental preservation.

The Introduction of Environmental Preservation Activities and Manufacturing

The SMK Head Office held the Introduction of Environmental Preservation Activities and Manufacturing, which was co-sponsored by the Shinagawa Ward Environmental Information Activities Center. This is the fourth year that we have held these activities at our head office, and this year 20 elementary school students and their family members from Shinagawa Ward participated.

The program was designed to convey the importance of environmental preservation and the joy of manufacturing. To this end, we introduced environmental preservation activities that are taking place at domestic and overseas offices, and offered electronic workshops using environmentally-friendly materials.



SMK's Environmental Report can be viewed here.

https://www.smk.co.jp/eco/pdf/e_ecoreport2018.pdf



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)	5,758
Head office	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan Tel : +81-3-3785-1111 Fax : +81-3-3785-1878

Shares and Shareholders (as of September 30, 2018)

Authorized shares	195,961,274
Issued shares	75,000,000
Number of shareholders	7,823

Major shareholders (top ten)	Shares owned (1,000 shares)	Percentage of shares (%)
SMK Cooperating Company Share Holding Association	3,525	5.29
Mizuho Bank, Ltd.	3,287	4.93
Nippon Life Insurance Company	3,241	4.86
Dai Nippon Printing Co., Ltd.	3,200	4.80
MUFG Bank, Ltd.	2,508	3.76
SMK Employees Share Holding Association	1,868	2.80
Mitsubishi UFJ Trust and Banking Corporation	1,800	2.70
The Showa Ikeda Memorial Foundation	1,500	2.25
Meiji Yasuda Life Insurance Company	1,379	2.07
Terutaka Ikeda	1,341	2.01

Notes:

1. The Company holds 8,333 thousand shares of treasury stock, but these are excluded from the above list. Figures for percentage of shares are calculated excluding the treasury stock.
2. As of October 1, 2018, the Company changed the share unit of its common stock and carried out a share consolidation. The numbers of shares indicated above represent the figures prior to the share consolidation.



Officer Introduction

Directors

President, Chief Executive Officer and Chief Operating Officer	Yasumitsu Ikeda
Director and Executive Deputy President, Chief Technology Officer	Yoshiyuki Kaku
Director and Executive Vice President	Mikio Wakabayashi
Director and Executive Vice President	Paul Evans
Outside Director	Toshio Nakamura
Outside Director	Kaoru Ishikawa

Auditors

Auditor and Chairman of Auditors' Meeting	Tetsuya Nakamura
Outside Auditor	Naru Nakashima
Outside Auditor	Ichiro Shimizu
Outside Auditor	Morikazu Fukui

Corporate Executive Officers

Executive Vice President, Chief Financial Officer	Kohei Ohgaki
Executive Vice President	Shigechika Yanagi
Executive Vice President	Masanobu Ikee
Executive Vice President	Tetsuo Hara
Vice President	Hideo Matsumoto
Vice President	Hiroshi Miyakawa
Vice President	Takemi Ishibashi
Vice President	Mitsuhiko Goto
Vice President	Mitsuyuki Masubuchi
Vice President, Chief Information Officer	Hiroshi Usami
Vice President	Atsushi Obinata
Vice President	Fumikazu Hata

*The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. and any use of such marks by SMK Corporation is under license.

*ECHONETLite is a trademark of the ECHONET CONSORTIUM.

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

*Other products and company names listed in this report are the registered trademarks or trademarks of their respective holders.

