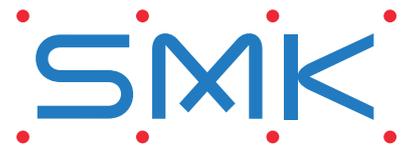


CREATIVE CONNECTIVITY



ANNUAL REPORT

2017

For the fiscal year ended March 31, 2017

Connection
System
Division



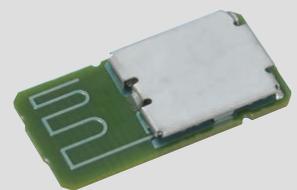
High Speed Data Connectors
(Right Angle Type)

Functional
Components
Division



Bluetooth® Smart-supported
Standard Voice
Remote Control

Research &
Development
Center



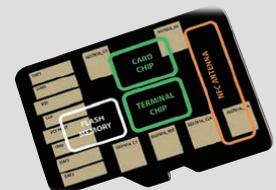
“BTS04 Series”
Bluetooth® Smart Module

Touch Panel
Division



“CapSleek Touch”
Capacitive Touch Panel
with a Curved Surface

SMK
LOGOMOTION



LGMCard

SMK CORPORATION

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 business for the 95th fiscal year (from April 1, 2016 to March 31, 2017).

We look forward to your continuing support and encouragement.

June 2017

Yasumitsu Ikeda
President and CEO/COO



Performance Overview

During the 95th fiscal year ended March 31, 2017, the global economy was influenced by changes in the political situations of major countries such as the U.K.'s decision to exit from the European Union and the inauguration of the new U.S. President Donald Trump. While the U.S. economy maintained a steady growth path and the Japanese economy also experienced a moderate recovery despite unstable exchange rates, the global economy was limited to maintaining gradual growth mainly due to the slowdown in the Chinese economy and increased geopolitical risk.

At the SMK Group, despite favorable sales growth in products such as connectors for the healthcare market and switches for automobiles, sales of products such as connectors for smartphones for the Chinese region, remote control units for set-top boxes for the U.S. market and touch panels for automobiles, were sluggish due to intensified competition in the market environment.

Due to profit decreasing factors including the impact of currency fluctuations in addition to these decreases in sales, the SMK Group recorded year-on-year decreases both in net sales and profit for the fiscal year ended March 31, 2017.

Challenge for Innovations

As for the outlook for the next fiscal year, although uncertainty remains in the business environment, the SMK Group will work towards improving its profitability by continuing our previous efforts to enhance productivity and reduce cost, as well as increase sales and profits through new business. In addition to responding to changes in existing businesses and expanding shares in current markets as a matter of course, the SMK Group will build corporate systems to achieve sustainable growth by expanding its business in new markets such as ecology, energy, healthcare, wearable devices, and IoT. We will also proactively pursue initiatives to create new business through collaboration with partners and promotion of open innovation.

By having a spirit of challenge to solve the various issues which society and customers face, having the creativity to generate ingenious ideas, and having the capability to come up with solutions to these issues, we aim to become a company that is able to contribute to the creation of a better society and future.

Financial Highlights

| Years ended and as of March 31 | Millions of yen | | Percent change 2016/2017 | Thousands of U.S. dollars |
|---|-----------------|----------|-----------------------------|------------------------------|
| | 2016 | 2017 | | |
| Operating Results | | | | |
| Net sales | ¥ 77,206 | ¥ 62,971 | (18.4) % | \$561,289 |
| Operating income | 4,171 | 630 | (84.9) | 5,615 |
| Profit attributable to owners of parent | 2,678 | 1,017 | (62.0) | 9,065 |

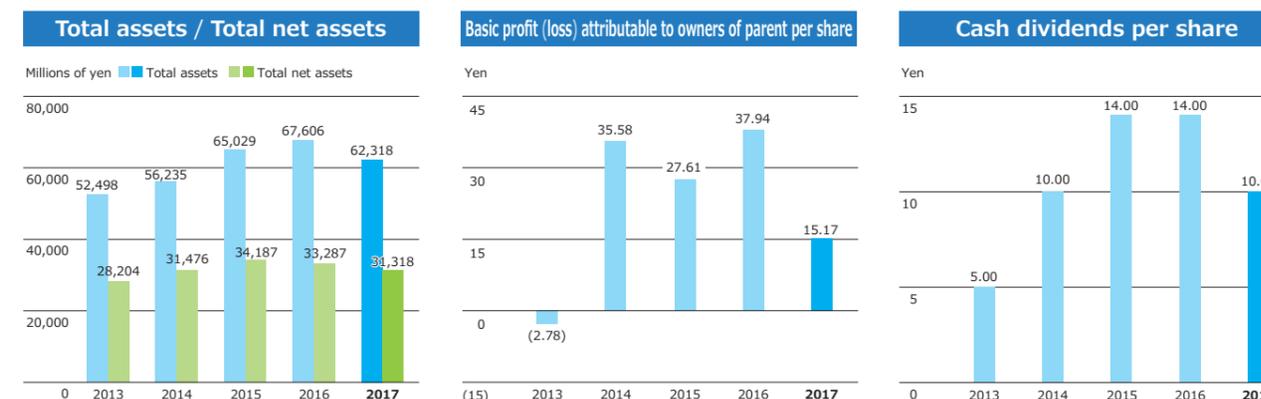
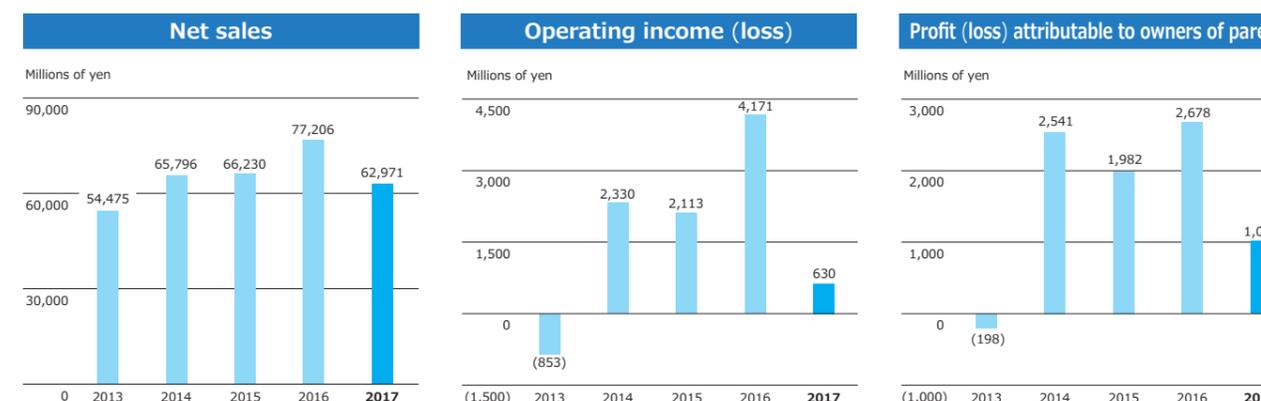
Financial Position

| | Millions of yen | Percent change 2016/2017 | Thousands of U.S. dollars |
|------------------|-----------------|-----------------------------|------------------------------|
| Total assets | ¥ 67,606 | (7.8) % | \$555,468 |
| Total net assets | 33,287 | (5.9) | 279,151 |

Per Share Data

| | Yen | U.S. dollars |
|--|---------|--------------|
| Profit attributable to owners of parent | | |
| Basic | ¥ 37.94 | \$ 0.14 |
| Diluted | 37.86 | 0.14 |
| Cash dividends | 14.00 | 0.09 |

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112.19 = U.S. \$1.00.



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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.

Overview of Consolidated Results by Division

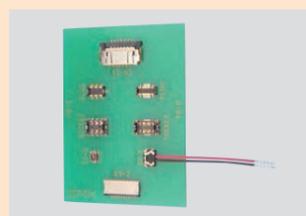
(April 1, 2016 to March 31, 2017)

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 four markets: ICT Market, Home Appliance Market, Car Electronics Market and Industry 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

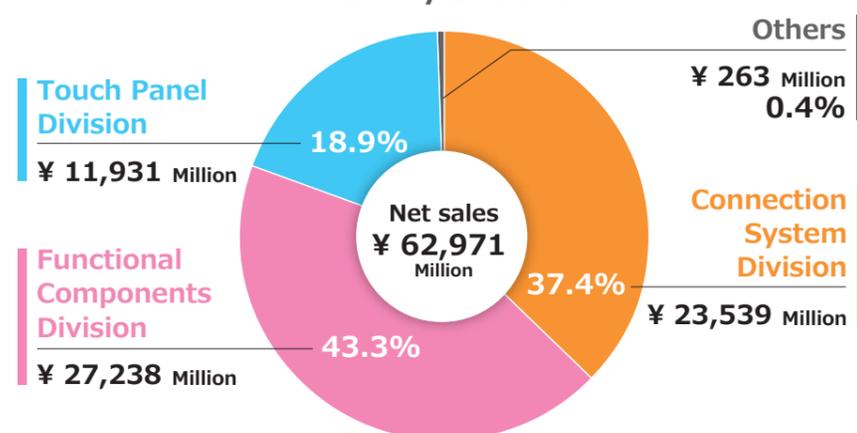
In our mainstay communication market, sales of connectors for smartphones were sluggish due to intensified competition with other connector manufacturers among our customers in the Chinese region and the negative impact from the business slump of some of our Japanese customers. In our priority area of the car electronics market, against the backdrop of accelerating development of car electronics, sales of safety driving-related connectors expanded steadily led by those for rearview cameras. In the healthcare market in which our efforts to find a new market led to the adoption of our new connectors in the previous fiscal year, sales continued in a favorable trend, resulting in a significant increase from the previous fiscal year. On the other hand, in the ecological market, sales dropped compared to the previous fiscal year due to a decrease in sales of connectors for photovoltaic modules.

As a result, net sales of the Connection System Division amounted to ¥23,539 million, or a 13.1% decrease year on year. Operating income was ¥1,919 million, a 13.4% decrease year on year.

Net sales / Operating income Millions of yen

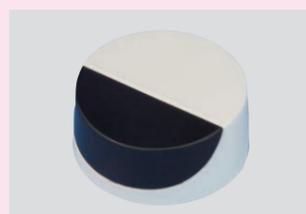


Sales by Division



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

Functional Components Division



Major Products

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

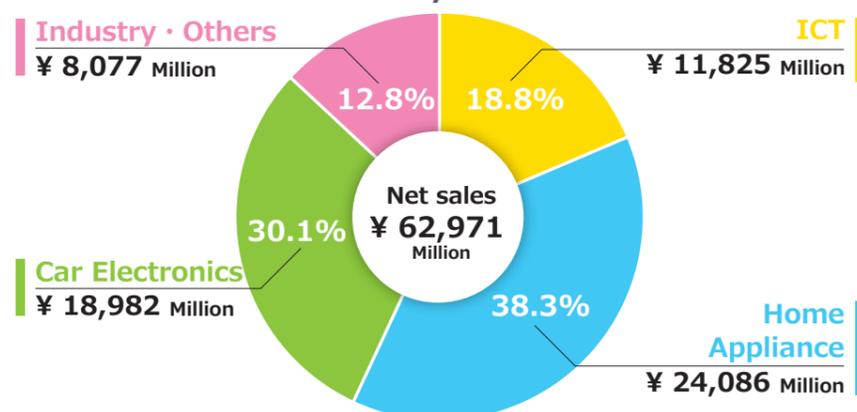
Sales of remote control units, our mainstay products for this division, remained solid for sanitary goods and medical equipment in Japan. However, sales of the products for set-top boxes dropped year on year due to the impact of a decrease in demand volume triggered by the delay in launch of new products for satellite broadcasting in the U.S. and the increase in competition with other manufacturers of remote control units for Internet protocols and over-the-top set-top boxes. As for units, although sales of automotive camera modules and home automation related products are on an expansion trend with new orders in place, due to cutbacks in production by U.S. home equipment manufacturers, sales of units fell below that of the previous year. On the other hand, sales of switches in the car electronics and smartphone markets increased significantly, while sales in switches for digital cameras decreased.

As a result, net sales of the Functional Components Division amounted to ¥27,238 million, or a 23.2% decrease year on year. Operating loss was ¥786 million (compared to an operating income of ¥370 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.

Note: The SMK Group's market segments have been changed from the fiscal year ended March 31, 2017.

Touch Panel Division



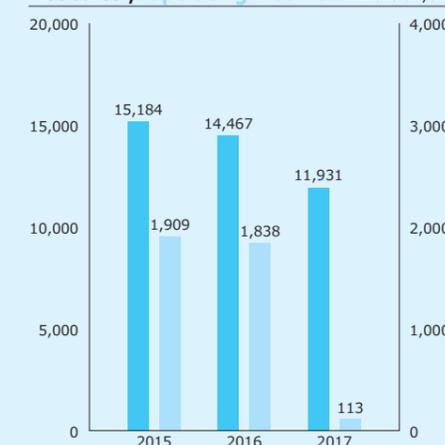
Major Products

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

In the touch panel market for car navigation systems and for automotive center consoles, which are our mainstay products for this division, the competitive environment is growing more severe due to the substantial advancement of the shift in demand towards capacitive type from resistive type, in response to users' requests for operability similar to that of smartphones. In addition, while sales volumes remained at the same level as the previous year, product prices decreased due to the entry of Chinese touch panel manufacturers, resulting in sales falling below that of the previous year. Although we had acquired new orders for our products in markets other than automotive applications, such as for wearable devices and for office equipment, we were unable to offset the decline in products sales for automotive applications, which resulted in a decline in overall sales from the previous year.

As a result, net sales in the Touch Panel Division amounted to ¥11,931 million, or a 17.5% decrease year on year. Operating income was ¥113 million, or a 93.9% decrease year on year.

Net sales / Operating income Millions of yen



CS Division :

Small Coaxial Connector for Automotive Camera Module

We have developed a small coaxial connector capable of digital transmission with heightened pixel quality for camera modules for the purpose of rear viewing and surround monitoring, etc. of vehicles. This product features excellent waterproof performance by its compact design and waterproof airtight structure, and we intend to expand our business in order to meet future demand growth in the car electronics market.



Main applications:
Automotive devices (view camera, electronic control unit, etc.)

FC Division :

2 Megapixel Automotive Camera Module

Responding to the demand for heightened pixel quality along with the increasing adoption of ADAS (advanced driver assistance systems), we have developed a camera module that can transmit 2 million-pixel image output. This product adopts coaxial digital output and supports high-speed image transmission as well as bidirectional communication. Moreover, due to its unique structural design, it has high EMC performance so that transmission of digital terrestrial broadcasting is not easily affected. From now on, we will promote development with a view to contributing to autonomous driving.



Main applications:
Automotive front view, front sensing, drive recorder

TP Division :

"Wing Touch™ MM" Capacitive Touch Panel

We have developed the "Wing Touch™ MM" capacitive touch panel for medium and large sized display equipment used in industrial machinery and digital signage, etc. The new capacitive touch panel featuring a metal mesh (MM) sensor in the form of copper has low resistance and excellent conductivity compared to conventional ITO sensors, which makes it easy to handle larger sized displays up to 34 inches. The copper mesh sensor has excellent flexibility and can be attached to curved cover panels. We are seeking orders, targeting medium and large sized display equipment.



Main applications:
Industrial machinery, digital signage, office equipment, POS registers

Research & Development Center :
SIGFOX RF Module "WF923"

SIGFOX is a LPWA (Low Power Wide Area) communication technology, which is attracting attention as an IoT network method realizing low cost, low power and wide area transmission using the unlicensed 920 MHz band. "WF923" is a module with a built-in SIGFOX stack, compliant with the Radio Act of Japan and implements in-house developed applications for various uses such as location information and environmental monitoring, and it is the first wireless module to obtain SIGFOX certification in Japan.



Main applications:
Equipment for water supply and gas, etc., environmental monitor

SMK LOGOMOTION :

microSD Memory Card with built-in NFC Antenna "LGMCard"

This product is a microSD card with a built-in miniature antenna not easily affected by metal, and also has the technology to control radio waves. Various types of mobile payment services are growing in the market, but this product is targeted at low-price SIM free phones, etc. which are mainly increasing in emerging countries in this growth field. Mobile phone users can easily make mobile payment transactions by inserting this card. The technology behind this card is transformative and we have obtained over 30 patents related to this technology.



Main applications:
Mobile payment and eID

1 The Showa Ikeda Memorial Foundation celebrated its 40th anniversary

The Showa Ikeda Memorial Foundation is an establishment formed in 1976 in celebration of the 50th anniversary of the founding of SMK Corporation (formerly known as Showa Musen Kogyo Co., Ltd.) to help social welfare activities, under authorization by the Tokyo Metropolitan Government. Funds were raised privately by the late Mr. Heishiro Ikeda, the founder of SMK, and his wife, the late Mrs. Shizuko Ikeda, and partial contributions were made by SMK.

Following the amendment of the Charitable Corporations Act, the Foundation was certified by the Governor of Tokyo as an incorporated charitable organization in 2013, and it thus became officially known as the Showa Ikeda Memorial Foundation (Incorporated Charitable Organization). The Foundation celebrated its 40th anniversary in May 2016 and the "Commemorative Ceremony of the 40th Anniversary" was held grandly at Hotel Okura Tokyo in November 2016.



Foundation founders:
Late Mr. & Mrs. Heishiro and Shizuko Ikeda



Terutaka Ikeda, Chairman, giving a greeting at the Commemorative Ceremony of the 40th Anniversary

Since its establishment, the Foundation has been engaged in various activities such as scholarship programs, welfare grants for persons with disabilities, youths, and the elderly. Since 1981, as part of the scholarship programs, the Foundation has set up a program to collect essays from students at junior colleges, universities and graduate schools, and awards the Showa Ikeda Prize for student research papers under the auspices of the Ministry of Education, Culture, Sports, Science and Technology. This year marks the 36th occasion of



Taking a walk with a donated stroller

the awards. As well as this, it continues to contribute broadly to social causes such as its funding for projects aimed at encouraging the pursuit of traditional arts and crafts.

2 Certified as a "Tokyo Sports Promotion Company"

We have been certified as a "Tokyo Sports Promotion Company" for fiscal 2016 under "Tokyo Sports Promotion Company Certification Program" implemented by Bureau of Olympic and Paralympic Games Tokyo 2020 Preparation.

We employed Masayuki Haga, a wheelchair rugby player, in 2014, and have supported him as an athlete, which was regarded as an activity that contributes to the enhanced recognition and promotion of wheelchair rugby, resulting in this certification.



Masayuki Haga, wheelchair rugby player



3 SMK Shenzhen (China) celebrated its 20th anniversary

SMK Electronics (Shenzhen) Co., Ltd. (SMK Shenzhen) celebrated its 20th anniversary in July 2016. In celebration, an anniversary commemorative ceremony was held grandly and we also organized commemorative tree planting at the Dapeng afforestation base in Shenzhen as part of our social contribution activities.

SMK Shenzhen has been steadily expanding its production every year these past few years, supported by strong orders for automotive related components in addition to conventional smartphone related components.



The Commemorative Ceremony of the 20th Anniversary



Tree planting activities

Five-Year Summary

SMK Corporation and Consolidated Subsidiaries

| Years ended and as of March 31 | Millions of yen | | | | | Thousands of U.S. dollars |
|--|-----------------|----------|----------|----------|-----------------|---------------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2017 |
| Operating Results | | | | | | |
| Net sales | ¥ 54,475 | ¥ 65,796 | ¥ 66,230 | ¥ 77,206 | ¥ 62,971 | \$ 561,289 |
| Operating income (loss) | (853) | 2,330 | 2,113 | 4,171 | 630 | 5,615 |
| Profit (loss) attributable to owners of parent | (198) | 2,541 | 1,982 | 2,678 | 1,017 | 9,065 |
| Financial Position | | | | | | |
| Total assets | ¥ 52,498 | ¥ 56,235 | ¥ 65,029 | ¥ 67,606 | ¥ 62,318 | \$ 555,468 |
| Total net assets | 28,204 | 31,476 | 34,187 | 33,287 | 31,318 | 279,151 |
| Per Share Data | | | | | | |
| Total net assets | ¥ 394.81 | ¥ 437.84 | ¥ 475.42 | ¥ 471.02 | ¥ 473.50 | \$ 4.22 |
| Profit (loss) attributable to owners of parent | | | | | | |
| Basic | (2.78) | 35.58 | 27.61 | 37.94 | 15.17 | 0.14 |
| Diluted | — | 35.52 | 27.56 | 37.86 | 15.16 | 0.14 |
| Cash dividends | 5.00 | 10.00 | 14.00 | 14.00 | 10.00 | 0.09 |

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112.19 = U.S. \$1.00.

SMK's net sales for the fiscal year ended March 31, 2017, decreased 18.4% year on year to ¥62,971 million (US\$561,289 thousand), whereas operating income of ¥630 million (US\$5,615 thousand) and profit attributable to owners of parent of ¥1,017 million (US\$9,065 thousand) were recorded.

Net Sales

Despite favorable sales growth in products such as connectors for the healthcare market and switches for automobiles, sales of products such as connectors for smartphones for the Chinese region, remote control units for set-top boxes for the U.S. market and touch panels for automobiles were sluggish due to intensified competition in the market environment and other factors.

As a result, net sales were ¥62,971 million (US\$561,289 thousand), down 18.4% year on year.

Operating Income

Despite our efforts such as proactive launch of new products, provision of more competitive prices and strengthening of our sales capabilities, operating income amounted to ¥630 million (US\$5,615 thousand) due to profit decreasing factors such as decreases in net sales and currency fluctuations.

Profit attributable to owners of parent

Profit attributable to owners of parent was ¥1,017 million (US\$9,065 thousand) as a result of recording rent income, rent expense, gain on sales of fixed assets, loss on impairment of fixed assets, etc. in other income or other expenses.

Total Assets / ROA

As of March 31, 2017, total assets were ¥62,318 million (US\$555,468 thousand), with ROA of 1.6%.

Total Net Assets / ROE

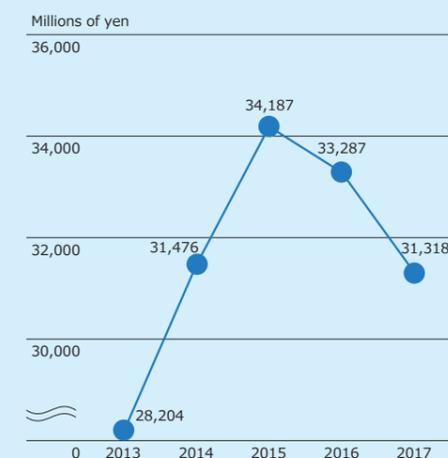
As of March 31, 2017, total net assets were ¥31,318 million (US\$279,151 thousand), with ROE of 3.2%.

Cash Flows

Net cash provided by operating activities amounted to ¥4,604 million (US\$41,038 thousand), net cash used in investing activities totaled ¥3,465 million (US\$30,885 thousand), and net cash used in financing activities was ¥1,541 million (US\$13,736 thousand).

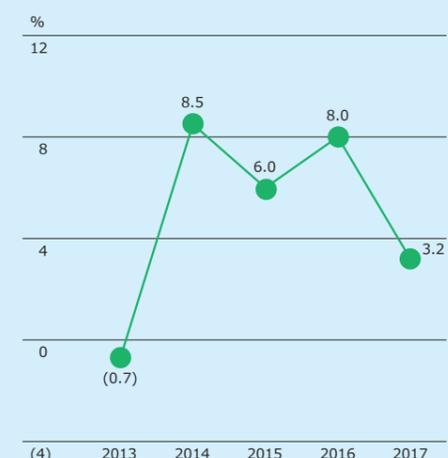
Total net assets

(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, 2016 and 2017

Consolidated Balance Sheets

| Assets | Millions of Yen | | Thousands of U.S. dollars (Note 2) |
|--|-----------------|----------|--|
| | 2016 | 2017 | 2017 |
| Current assets | | | |
| Cash and cash equivalents (Note 16) | ¥ 10,668 | ¥ 10,011 | \$ 89,233 |
| Time deposits (Note 16) | 110 | 106 | 945 |
| Notes and accounts receivable, trade (Note 16) | 16,509 | 14,853 | 132,391 |
| Allowance for doubtful accounts | (47) | (48) | (428) |
| Inventories (Note 3) | 7,187 | 7,199 | 64,168 |
| Deferred tax assets (Note 13) | 657 | 431 | 3,842 |
| Other current assets (Note 16, 17 and 21) | 3,282 | 1,719 | 15,322 |
| | 38,368 | 34,274 | 305,500 |
| Investments and long-term loans | | | |
| Investment securities (Note 16 and 17) | 2,406 | 2,305 | 20,546 |
| Long-term loans receivable (Note 21) | 96 | 117 | 1,043 |
| Asset for retirement benefits (Note 6) | 541 | 860 | 7,666 |
| Other investments (Note 21) | 593 | 554 | 4,938 |
| Allowance for doubtful accounts | (60) | (102) | (909) |
| | 3,577 | 3,736 | 33,301 |
| Property, plant and equipment (Note 5, 12 and 19) | | | |
| Land (Note 4) | 7,426 | 7,027 | 62,635 |
| Buildings | 21,544 | 21,275 | 189,634 |
| Machinery and vehicles | 21,181 | 22,025 | 196,319 |
| Tooling and office furniture | 23,492 | 23,494 | 209,413 |
| Construction in progress | 213 | 100 | 891 |
| | 73,858 | 73,923 | 658,909 |
| Less-accumulated depreciation | (50,946) | (51,953) | (463,083) |
| | 22,912 | 21,970 | 195,829 |
| Other assets | | | |
| Deferred tax assets (Note 13) | 216 | 487 | 4,341 |
| Goodwill (Note 12) | 380 | — | — |
| Intangible assets | 2,151 | 1,850 | 16,490 |
| | 2,748 | 2,337 | 20,831 |
| Total assets | ¥ 67,606 | ¥ 62,318 | \$ 555,468 |

| Liabilities and net assets | Millions of Yen | | Thousands of U.S. dollars (Note 2) |
|--|-----------------|----------|--|
| | 2016 | 2017 | 2017 |
| Current liabilities | | | |
| Short-term loans payable (Note 5 and 16) | ¥ 12,287 | ¥ 13,592 | \$ 121,152 |
| Notes and accounts payable, trade (Note 16) | 4,808 | 6,118 | 54,532 |
| Accrued income taxes | 489 | 647 | 5,767 |
| Accrued bonuses | 966 | 626 | 5,580 |
| Accrued directors' and officers' bonuses | 75 | 24 | 214 |
| Accounts payable, non-trade (Note 16) | 6,245 | 1,407 | 12,541 |
| Other current liabilities | 1,793 | 1,710 | 15,242 |
| | 26,666 | 24,127 | 215,055 |
| Long-term liabilities | | | |
| Long-term debt (Note 5 and 16) | 5,258 | 4,855 | 43,275 |
| Deferred tax liabilities (Note 13) | 1,121 | 974 | 8,682 |
| Accrued directors' and officers' retirement benefits | 188 | 203 | 1,809 |
| Liability for retirement benefits (Note 6) | 49 | 54 | 481 |
| Other long-term liabilities | 1,033 | 784 | 6,988 |
| | 7,651 | 6,872 | 61,253 |
| Net assets | | | |
| Shareholders' equity (Note 7) | | | |
| Common stock | | | |
| Authorized : 195,961,274 shares | | | |
| Issued : 79,000,000 shares as of March 31 2016 | 7,996 | 7,996 | 71,272 |
| 75,000,000 shares as of March 31 2017 | | | |
| Capital surplus | 12,309 | 12,057 | 107,469 |
| Retained earnings | 18,149 | 16,614 | 148,088 |
| Treasury stock | (4,353) | (3,995) | (35,609) |
| | 34,102 | 32,672 | 291,220 |
| Accumulated other comprehensive income | | | |
| Net unrealized gains (losses) on other securities | 176 | 348 | 3,102 |
| Net unrealized gains (losses) from hedging instruments | — | (3) | (27) |
| Foreign currency translation adjustments | (1,506) | (1,976) | (17,613) |
| Retirement benefits asset and liability adjustments | 223 | 263 | 2,344 |
| | (1,106) | (1,368) | (12,194) |
| Share subscription rights (Note 8) | 25 | — | — |
| Non-controlling interests | 266 | 14 | 125 |
| | 33,287 | 31,318 | 279,151 |
| Total liabilities and net assets | ¥ 67,606 | ¥ 62,318 | \$ 555,468 |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

| | Millions of Yen | | Thousands of U.S. dollars (Note 2) |
|---|-----------------|----------|------------------------------------|
| | 2016 | 2017 | 2017 |
| Net sales (Note 20) | ¥ 77,206 | ¥ 62,971 | \$ 561,289 |
| Cost of sales (Note 3 and 9) | 62,412 | 52,211 | 465,380 |
| Selling, general and administrative expenses (Note 9 and 10) | 10,622 | 10,130 | 90,293 |
| Operating income (Note 20) | 4,171 | 630 | 5,615 |
| Other income | | | |
| Interest and dividend income (Note 21) | 103 | 95 | 847 |
| Rent income | 1,263 | 1,243 | 11,079 |
| Gain on sales of fixed assets (Note 11) | 134 | 459 | 4,091 |
| Gain on sales of investment securities (Note 17) | 294 | 99 | 882 |
| Other | 307 | 378 | 3,369 |
| Total other income | 2,102 | 2,275 | 20,278 |
| Other expenses | | | |
| Interest expense | 124 | 124 | 1,105 |
| Rent expense (Note 21) | 623 | 615 | 5,482 |
| Foreign exchange loss, net | 1,334 | 25 | 223 |
| Loss on disposal of fixed assets (Note 11) | 209 | 260 | 2,317 |
| Loss on impairment of fixed assets (Note 12) | — | 443 | 3,949 |
| Loss on liquidation of subsidiaries and affiliates | 198 | — | — |
| Other | 212 | 195 | 1,738 |
| Total other expenses | 2,701 | 1,664 | 14,832 |
| Profit before income taxes | 3,573 | 1,241 | 11,062 |
| Income taxes (Note 13) | | | |
| Current | 1,229 | 749 | 6,676 |
| Deferred | (249) | (272) | (2,424) |
| Profit | 2,592 | 764 | 6,810 |
| Loss attributable to non-controlling interests | (85) | (252) | (2,246) |
| Profit attributable to owners of parent | ¥ 2,678 | ¥ 1,017 | \$ 9,065 |

| | Yen | | U.S. dollars (Note 2) |
|---|----------|----------|-----------------------|
| | 2016 | 2017 | 2017 |
| Per share data (Note 15) | | | |
| Total net assets | ¥ 471.02 | ¥ 473.50 | \$ 4.22 |
| Profit attributable to owners of parent | | | |
| Basic | 37.94 | 15.17 | 0.14 |
| Diluted | 37.86 | 15.16 | 0.14 |
| Cash dividends | 14.00 | 10.00 | 0.09 |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

| | Millions of Yen | | Thousands of U.S. dollars (Note 2) |
|--|-----------------|---------|------------------------------------|
| | 2016 | 2017 | 2017 |
| Profit | ¥ 2,592 | ¥ 764 | \$ 6,810 |
| Other comprehensive income (Note 14) | | | |
| Net unrealized gains (losses) on other securities | (431) | 171 | 1,524 |
| Net unrealized gains (losses) from hedging instruments | — | (3) | (27) |
| Foreign currency translation adjustments | (809) | (469) | (4,180) |
| Retirement benefits asset and liability adjustments | (574) | 39 | 348 |
| Total other comprehensive income | (1,815) | (262) | (2,335) |
| Comprehensive income | ¥ 776 | ¥ 502 | \$ 4,475 |
| Total comprehensive income attributable to: | | | |
| Owners of parent | ¥ 862 | ¥ 754 | \$ 6,721 |
| Non-controlling interests | ¥ (85) | ¥ (252) | \$ (2,246) |

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

| | Millions of yen | | | | | | | | | | | | | |
|--|----------------------------------|--------------|-----------------|-------------------|----------------|--|---|--|--|---|--|-------------------------------|---------------------------|------------------|
| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | | |
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Shareholders' equity | Net unrealized gains (losses) on securities | Net unrealized gains (losses) from hedging instruments | 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 | 79,000,000 | ¥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) |
| 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 | | | (16) | | 79 | 63 | | | | | | | | 63 |
| Retirement of treasury stock | | | | | | | | | | | | | | |
| Net changes in items other than shareholders' equity | | | | | | | (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 |
| Balance at April 1, 2016 | 79,000,000 | 7,996 | 12,309 | 18,149 | (4,353) | 34,102 | 176 | — | (1,506) | 223 | (1,106) | 25 | 266 | 33,287 |
| Cash dividends paid | | | | (891) | | (891) | | | | | | | | (891) |
| Profit attributable to owners of parent | | | | 1,017 | | 1,017 | | | | | | | | 1,017 |
| Acquisition of treasury stock | | | | | (1,579) | (1,579) | | | | | | | | (1,579) |
| Disposition of treasury stock | | | (0) | (0) | 25 | 24 | | | | | | | | 24 |
| Retirement of treasury stock (4,000,000) | | | (251) | (1,660) | 1,911 | | | | | | | | | |
| Net changes in items other than shareholders' equity | | | | | | | 171 | (3) | (469) | 39 | (262) | (25) | (252) | (539) |
| Total changes | | | (252) | (1,534) | 357 | (1,429) | 171 | (3) | (469) | 39 | (262) | (25) | (252) | (1,969) |
| Balance at March 31, 2017 | 75,000,000 | ¥7,996 | ¥12,057 | ¥16,614 | ¥(3,995) | ¥32,672 | ¥ 348 | ¥(3) | ¥(1,976) | ¥ 263 | ¥(1,368) | ¥ — | ¥ 14 | ¥31,318 |

| | Thousands of U.S. dollars (Note 2) | | | | | | | | | | | | |
|--|------------------------------------|-----------------|-------------------|----------------|----------------------|---|--|--|---|--|-------------------------------|---------------------------|------------------|
| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Shareholders' equity | Net unrealized gains (losses) on securities | Net unrealized gains (losses) from hedging instruments | 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, 2016 | \$71,272 | \$109,716 | \$161,770 | \$(38,800) | \$303,966 | \$1,569 | \$ — | \$(13,424) | \$1,988 | \$(9,858) | \$ 223 | \$ 2,371 | \$296,702 |
| Cash dividends paid | | | (7,942) | | (7,942) | | | | | | | | (7,942) |
| Profit attributable to owners of parent | | | 9,065 | | 9,065 | | | | | | | | 9,065 |
| Acquisition of treasury stock | | | | (14,074) | (14,074) | | | | | | | | (14,074) |
| Disposition of treasury stock | | | (0) | (0) | 223 | 214 | | | | | | | 214 |
| Retirement of treasury stock | | | (2,237) | (14,796) | 17,034 | | | | | | | | |
| Net changes in items other than shareholders' equity | | | | | | 1,524 | (27) | (4,180) | 348 | (2,335) | (223) | (2,246) | (4,804) |
| Total changes | | (2,246) | (13,673) | 3,182 | (12,737) | 1,524 | (27) | (4,180) | 348 | (2,335) | (223) | (2,246) | (17,551) |
| Balance at March 31, 2017 | \$71,272 | \$107,469 | \$148,088 | \$(35,609) | \$291,220 | \$3,102 | \$(27) | \$(17,613) | \$2,344 | \$(12,194) | \$ — | \$ 125 | \$279,151 |

Consolidated Statement of Cash Flows

SMK Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

| | Millions of Yen | | Thousands of U.S. dollars (Note 2) |
|---|-----------------|-----------------|--|
| | 2016 | 2017 | 2017 |
| Cash flows from operating activities | | | |
| Profit before income taxes | ¥ 3,573 | ¥ 1,241 | \$ 11,062 |
| Depreciation and amortization | 3,970 | 4,381 | 39,050 |
| Loss on impairment of fixed assets | — | 443 | 3,949 |
| Amortization of goodwill | 86 | 137 | 1,221 |
| Increase (decrease) in accrued bonuses | (51) | (337) | (3,004) |
| Increase (decrease) in accrued directors' and officers' retirement benefits | 38 | 15 | 134 |
| Increase (decrease) in asset and liability for retirement benefits | (584) | (257) | (2,291) |
| Interest and dividend income | (103) | (95) | (847) |
| Interest expense | 124 | 124 | 1,105 |
| (Gain) loss on sales of investment securities | (294) | (99) | (882) |
| (Gain) loss on sales of fixed assets | (134) | (459) | (4,091) |
| Loss on disposal of fixed assets | 209 | 260 | 2,317 |
| Loss on liquidation of subsidiaries and affiliates | 198 | — | — |
| (Increase) decrease in notes and accounts receivable, trade | (959) | 1,110 | 9,894 |
| (Increase) decrease in inventories | (1,190) | (192) | (1,711) |
| Increase (decrease) in notes and accounts payable, trade | 1,887 | 2,047 | 18,246 |
| (Increase) decrease in accounts receivable, non-trade | 97 | 1,459 | 13,005 |
| Increase (decrease) in accounts payable, non-trade | 106 | (4,364) | (38,898) |
| Other | 426 | (41) | (365) |
| Subtotal | 7,399 | 5,371 | 47,874 |
| Interest and dividends received | 104 | 95 | 847 |
| Interest paid | (118) | (124) | (1,105) |
| Income taxes paid | (1,173) | (737) | (6,569) |
| Net cash provided by (used in) operating activities | 6,211 | 4,604 | 41,038 |
| Cash flows from investing activities | | | |
| Payments into time deposits | (108) | (103) | (918) |
| Proceeds from time deposits | 169 | 101 | 900 |
| Purchases of fixed assets | (5,265) | (4,680) | (41,715) |
| Proceeds from sales of fixed assets | 107 | 1,039 | 9,261 |
| Purchases of intangible fixed assets | (2,362) | (162) | (1,444) |
| Purchases of investment securities | (35) | (50) | (446) |
| Proceeds from sales of investment securities | 360 | 430 | 3,833 |
| Purchase of subsidiaries' shares resulting in changes in scope of consolidation | (37) | — | — |
| Payments for execution of loans | (84) | (125) | (1,114) |
| Collection of loans receivable | 74 | 97 | 865 |
| Other | — | (11) | (98) |
| Net cash provided by (used in) investing activities | (7,182) | (3,465) | (30,885) |
| Cash flows from financing activities | | | |
| Increase (decrease) in short-term loans payable | 4,700 | 1,395 | 12,434 |
| Proceeds from long-term debt | 600 | 1,494 | 13,317 |
| Payments of long-term debt | (2,005) | (1,987) | (17,711) |
| Purchases of treasury stock | (1,014) | (1,578) | (14,065) |
| Proceeds from sales of treasury stock | 65 | 24 | 214 |
| Proceeds from non-controlling shareholders | 352 | — | — |
| Dividends paid | (1,062) | (889) | (7,924) |
| Net cash provided by (used in) financing activities | 1,636 | (1,541) | (13,736) |
| Effect of exchange rate changes on cash and cash equivalents | 3 | (254) | (2,264) |
| Increase (decrease) in cash and cash equivalents | 668 | (656) | (5,847) |
| Cash and cash equivalents at beginning of the year | 9,999 | 10,668 | 95,089 |
| Cash and cash equivalents at end of the year | ¥ 10,668 | ¥ 10,011 | \$ 89,233 |

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

(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 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 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 based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(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 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

Deferral hedge accounting is applied for interest rate swap transactions.

The exceptional treatment is applied for interest rate swap transactions meeting certain conditions.

(2) Hedging instruments and hedged items

Hedging instruments: interest rate swaps

Hedged items: long-term debt subject to interest rate fluctuation risk.

(3) Hedging policy

The Company uses interest rate swaps to hedge risks from interest rate fluctuations on borrowings, only when approved by the management.

(4) Assessment of effectiveness of hedging activities

The Company evaluates the hedge effectiveness by comparing accumulated fluctuations of the hedging instrument and hedged item every quarter.

When the exceptional treatment is applied for interest rate swaps, 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) Change in method of accounting

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No.32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effects of this change on the consolidated financial statements for the year ended March 31, 2017 were immaterial.

(v) Additional information

The Company and its consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016) from the beginning of the fiscal year ended March 31, 2017.

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 = ¥112.19, the approximate rate of exchange at March 31, 2017. 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, 2016 and 2017 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Finished products | ¥ 3,326 | ¥ 2,881 | \$ 25,680 |
| Work in process | 991 | 738 | 6,578 |
| Raw materials and supplies | 2,869 | 3,579 | 31,901 |
| Total | ¥ 7,187 | ¥ 7,199 | \$ 64,168 |

The write-downs of inventories resulting from decreased profitability for the years ended March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Cost of sales | ¥ 281 | ¥ 251 | \$ 2,237 |

Note 4. Reduction entries

Reduction entries due to acceptance of prefectural government's grants relating to property, plant and equipment as of March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Land | ¥ 101 | ¥ 101 | \$ 900 |

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

Short-term loans payable and long-term debt as of March 31, 2016 and 2017 consisted of the following:

| Short-term loans payable | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2016 | 2017 | 2017 |
| Average interest rate on short-term loans payable, principally from banks, is 0.46% | | | |
| Secured | ¥ 4,600 | ¥ 5,500 | \$ 49,024 |
| Unsecured | 5,705 | 6,200 | 55,263 |
| Total | ¥ 10,305 | ¥ 11,700 | \$ 104,288 |
| Long-term debt | Millions of yen | | Thousands of U.S. dollars |
| | 2016 | 2017 | 2017 |
| Average interest rate on long-term debt, principally from banks, is 0.87% | | | |
| Secured | ¥ 2,839 | ¥ 2,969 | \$ 26,464 |
| Unsecured | 4,402 | 3,778 | 33,675 |
| Less: portion due within one year | (1,982) | (1,892) | (16,864) |
| Total | ¥ 5,258 | ¥ 4,855 | \$ 43,275 |

The assets pledged as collateral for short-term and long-term debt as of March 31, 2016 and 2017 were summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| (1) Factory foundation | | | |
| Buildings | ¥ 1,582 | ¥ 1,476 | \$ 13,156 |
| Machinery and vehicles | 229 | 161 | 1,435 |
| Tooling and office furniture | 81 | 86 | 767 |
| Land | 256 | 256 | 2,282 |
| Total | ¥ 2,151 | ¥ 1,981 | \$ 17,658 |
| (2) Other | | | |
| Buildings | ¥ 451 | ¥ 55 | \$ 490 |
| Tooling and office furniture | 4 | 3 | 27 |
| Land | 563 | 39 | 348 |
| Total | ¥ 1,019 | ¥ 98 | \$ 874 |

The aggregate annual maturities of long-term debt (including current portion) outstanding as of March 31, 2017 were summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2018 | ¥ 1,892 | \$ 16,864 |
| 2019 | 2,365 | 21,080 |
| 2020 | 1,559 | 13,896 |
| 2021 | 768 | 6,846 |
| 2022 and thereafter | 163 | 1,453 |
| Total | ¥ 6,747 | \$ 60,139 |

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, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Balance at the beginning of the year | ¥ 8,184 | ¥ 7,865 | \$ 70,104 |
| Service cost | 335 | 322 | 2,870 |
| Interest cost | 50 | 49 | 437 |
| Actuarial gain and loss | 78 | 120 | 1,070 |
| Retirement benefit paid | (785) | (693) | (6,177) |
| Other | 0 | (4) | (36) |
| Balance at the end of the year | ¥ 7,865 | ¥ 7,660 | \$ 68,277 |

The changes in plan assets during the years ended March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Balance at the beginning of the year | ¥ 8,968 | ¥ 8,357 | \$ 74,490 |
| Expected return on plan assets | 238 | 225 | 2,006 |
| Actuarial gain and loss | (593) | 338 | 3,013 |
| Contributions by the Company | 521 | 231 | 2,059 |
| Retirement benefits paid | (778) | (686) | (6,115) |
| Balance at the end of the year | ¥ 8,357 | ¥ 8,466 | \$ 75,461 |

The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Funded retirement benefit obligation | ¥ 7,849 | ¥ 7,645 | \$ 68,143 |
| Plan assets at fair value | (8,357) | (8,466) | (75,461) |
| | (507) | (820) | (7,309) |
| Unfunded retirement benefit obligation | 15 | 14 | 125 |
| Net liability for retirement benefits in the balance sheet | (491) | (806) | (7,184) |
| Liability for retirement benefits | 49 | 54 | 481 |
| Asset for retirement benefits | (541) | (860) | (7,666) |
| Net liability for retirement benefits in the balance sheet | ¥ (491) | ¥ (806) | \$ (7,184) |

The components of retirement benefit expense for the years ended March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
| | 2016 | 2017 | 2017 |
| Service cost | ¥ 335 | ¥ 322 | \$ 2,870 |
| Interest cost | 50 | 49 | 437 |
| Expected return on plan assets | (238) | (225) | (2,006) |
| Amortization of actuarial gain and loss | (190) | (161) | (1,435) |
| Retirement benefit expense | ¥ (42) | ¥ (14) | \$ (125) |

The components of retirement benefits asset and liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|-----------------|------|---------------------------|
| | 2016 | 2017 | 2017 |
| Actuarial gain and loss | (¥861) | ¥ 56 | \$ 499 |

The components of retirement benefits asset and liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Unrecognized actuarial gain and loss | ¥ 325 | ¥ 382 | \$ 3,405 |

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2017 were as follows:

| | 2016 | 2017 |
|-----------------|--------|--------|
| Bonds | 3.9% | 4.3% |
| Stocks | 38.9 | 41.8 |
| Life insurances | 39.5 | 38.3 |
| Funds | 14.3 | 14.4 |
| Other | 3.4 | 1.2 |
| Total | 100.0% | 100.0% |

- The total plan assets include retirement benefit trusts which constitute 11.8% for the year ended March 31, 2016 and 11.5% for the year ended March 31, 2017.
- 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, 2016 and 2017 amounted to ¥84 million and ¥90 million (\$802 thousand), respectively.

Assumptions to calculate the actuarial present value of the benefit obligation and the expected return on plan assets as of March 31, 2016 and 2017 were as follows:

| | 2016 | 2017 |
|---|-------|-------|
| Discount rate | 0.6% | 0.6% |
| Re-evaluation rate | 1.40% | 1.23% |
| 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, 2016 and 2017 were as follows:

1. Shares issued and outstanding / Treasury stock

| Types of shares | 2016 | | | 2017 | | | Number of shares at March 31, 2017 |
|-----------------|-----------------------------------|-----------|----------|-----------------------------------|-----------|-----------|------------------------------------|
| | Number of shares at April 1, 2015 | Increase | Decrease | Number of shares at April 1, 2016 | Increase | Decrease | |
| Shares issued: | | | | | | | |
| Common stock | 79,000,000 | — | — | 79,000,000 | — | 4,000,000 | 75,000,000 |
| Treasury stock: | | | | | | | |
| Common stock | 7,164,192 | 1,924,222 | 140,561 | 8,947,853 | 3,994,537 | 4,054,950 | 8,887,440 |

1. Details of the increase are as follows:

| | 2016 | 2017 |
|--|-----------|-----------|
| Increase due to purchase of shares | 1,901,000 | 3,979,000 |
| Increase due to purchase of shares of less than standard unit | 17,491 | 11,350 |
| Increase in shares held by affiliates accounted for by the equity method | 2,992 | 4,187 |
| Increase due to purchase of company that holds shares | 2,739 | — |

2. Details of the decrease are as follows:

| | 2016 | 2017 |
|--|---------|-----------|
| Decrease due to exercising stock options | 124,000 | 54,000 |
| Decrease due to retirement of shares | — | 4,000,000 |
| Decrease due to sales of shares held by subsidiaries | 14,739 | — |
| Decrease due to sales of shares of less than standard unit | 1,822 | 950 |

2. Share subscription rights

| Company | Description | Millions of yen | | Thousands of U.S. dollars |
|----------------|---|-----------------|------|---------------------------|
| | | 2016 | 2017 | 2017 |
| Parent company | Share subscription rights as stock options granted during the year ended March 31, 2011 | 25 | — | — |
| Total | | 25 | — | — |

3. Dividends

(1) Dividends paid

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

| 2017 | | | | | | 2017 | |
|---|----------------|-----------------------------------|---------------------------|--------------------|-------------------|---|------------------------------------|
| 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 22, 2016 | Common stock | 561 | 8 | March 31, 2016 | June 23, 2016 | 5,000 | 0.07 |
| Board of Directors' meeting on October 25, 2016 | Common stock | 331 | 5 | September 30, 2016 | November 21, 2016 | 2,950 | 0.04 |

(2) 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 | | | | | | |
|--|----------------|---------------------|-----------------------------------|---------------------------|----------------|----------------|
| 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 22, 2016 | Common stock | Retained earnings | 561 | 8 | March 31, 2016 | June 23, 2016 |

Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ending March 31, 2018

| 2017 | | | | | | | 2017 | |
|--|----------------|---------------------|-----------------------------------|---------------------------|----------------|----------------|---|------------------------------------|
| 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, 2017 | Common stock | Retained earnings | 331 | 5 | March 31, 2017 | June 23, 2017 | 2,950 | 0.04 |

Note 8. Stock options

- The account and the amount of stock options charged as expenses
For the years ended March 31, 2016 and 2017, there was no expenses charged.
- The amount of stock options charged as income due to their forfeiture resulting from nonuse

| | Millions of yen | |
|---|-----------------|------|
| | 2016 | 2017 |
| Gain on reversal of share subscription rights | 0 | 20 |

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, 2017 was as follows:

| | |
|--|-----------------|
| Share subscription rights which are not yet vested | |
| Outstanding as of March 31, 2016 | — |
| Granted | — |
| Forfeited | — |
| Vested | — |
| Outstanding as of March 31, 2017 | — |
| Share subscription rights which have already been vested | |
| Outstanding as of March 31, 2016 | 314,000 |
| Vested | — |
| Exercised | 54,000 |
| Forfeited | 260,000 |
| Outstanding as of March 31, 2017 | — |
| Exercise price | ¥ 360 (\$3.21) |
| Weighted average exercise price | ¥ 573 (\$5.11) |
| The fair value of stock options when granted | ¥ 80.5 (\$0.72) |

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, 2016 and 2017 amounted to ¥3,620 million and ¥3,314 million (\$ 29,539 thousand), respectively.

Note 10. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Salaries and wages of employees | ¥ 4,591 | ¥ 4,384 | \$ 39,077 |
| Provision for bonus | 439 | 316 | 2,817 |
| Provision for directors' and officers' bonus | 75 | 23 | 205 |
| Retirement benefit cost | 24 | 38 | 339 |
| Provision for directors' and officers' retirement benefits | 41 | 33 | 294 |
| Provision for doubtful accounts | 18 | (0) | (0) |

Note 11. Gains and losses of fixed assets

The components of gains and losses of fixed assets for the year ended March 31, 2016 and 2017 were as follows:

Gains on sales of fixed assets

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Buildings | ¥ 0 | ¥ 232 | \$ 2,068 |
| Machinery and vehicles | 22 | 9 | 80 |
| Tooling and office furniture | 4 | 5 | 45 |
| Land | 103 | 208 | 1,854 |
| Intangible asset | 5 | 3 | 27 |
| Total | ¥ 134 | ¥ 459 | \$ 4,091 |

Loss on disposal of fixed assets

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Buildings | ¥ 2 | ¥ 1 | \$ 9 |
| Machinery and vehicles | 175 | 240 | 2,139 |
| Tooling and office furniture | 31 | 18 | 160 |
| Intangible asset | — | 0 | 0 |
| Total | ¥ 209 | ¥ 260 | \$ 2,317 |

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, 2016, there was no major impairment loss recognized.

For the year ended March 31, 2017, impairment losses were recognized for the following assets.

| Asset group | Location | Use | Millions of yen | | |
|-------------------------|----------|---|------------------------|------------------------------|----------|
| | | | Machinery and vehicles | Tooling and office furniture | Goodwill |
| Functional components | Japan | Other | ¥ — | ¥ — | ¥ 263 |
| SMK Manufacturing, Inc. | U.S.A. | Remote controls/Switch/Unit production facilities | 151 | 28 | — |
| Total | | | ¥ 151 | ¥ 28 | ¥ 263 |

| Asset group | Location | Use | Thousands of U.S. dollars | | |
|-------------------------|----------|---|---------------------------|------------------------------|----------|
| | | | Machinery and vehicles | Tooling and office furniture | Goodwill |
| Functional components | Japan | Other | \$ — | \$ — | \$ 2,344 |
| SMK Manufacturing, Inc. | U.S.A. | Remote controls/Switch/Unit production facilities | 1,346 | 250 | — |
| Total | | | \$ 1,346 | \$ 250 | \$ 2,344 |

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-subsidiary basis and their rental property on an individual basis. Of the above asset groups, because the Functional Components Division and SMK Manufacturing, Inc. suffered declining trends 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 carrying value of the respective asset groups, therefore their book value was reduced to the recoverable amounts.

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 regarding one of the newly acquired businesses, the book value of goodwill regarding this business in the fiscal year ended March 31, 2017 was entirely recognized as an impairment loss. The recoverable amount of the asset group of SMK Manufacturing, Inc. was measured at value in use, which was calculated by discounting future cash flows at 5.9%.

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 32.9% and 30.8% for the years ended March 31, 2016 and 2017, respectively.

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2016 and 2017 was as follows:

| | 2016 | 2017 |
|--|--------|--------|
| Statutory tax rate | 32.9% | 30.8% |
| Items such as entertainment expenses permanently non-deductible for tax purposes | 1.2 | 1.3 |
| Items such as dividend income permanently non-taxable | (27.2) | (71.1) |
| Change in valuation allowance | 4.5 | 19.7 |
| Foreign withholding taxes | 5.0 | 12.1 |
| Inhabitant tax on per capita basis | 0.6 | 1.7 |
| Statutory tax rate differences in subsidiaries | (20.9) | (9.5) |
| Elimination of dividend income | 27.2 | 73.4 |
| Accumulated surplus of subsidiaries | (1.1) | (18.9) |
| Decrease of tax assets at fiscal year-end by the change of tax rate | 1.5 | — |
| Liquidation of subsidiaries | 2.3 | — |
| Other | 1.4 | (1.1) |
| Effective tax rate | 27.4% | 38.4% |

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Deferred tax assets: | | | |
| Inventory write-down disallowed | ¥ 20 | ¥ 21 | \$ 187 |
| Accrued bonuses disallowed | 268 | 167 | 1,489 |
| Intercompany profit on inventory | 70 | 62 | 553 |
| Liability for retirement benefits | 132 | 4 | 36 |
| Allowance for doubtful accounts | 19 | 33 | 294 |
| Impairment loss | 536 | 609 | 5,428 |
| Operating loss carryforwards for tax purposes | 934 | 1,246 | 11,106 |
| Other | 721 | 698 | 6,222 |
| Valuation allowance | (1,643) | (1,749) | (15,590) |
| Deferred tax assets | 1,059 | 1,095 | 9,760 |
| Deferred tax liabilities: | | | |
| Asset for retirement benefits | — | (28) | (250) |
| Deferred gain on land | (81) | (81) | (722) |
| Advanced depreciation on buildings | (54) | (50) | (446) |
| Reserve for special depreciation | (25) | (21) | (187) |
| Net unrealized gains on other securities | (64) | (139) | (1,239) |
| Accumulated surplus of foreign subsidiaries | (577) | (342) | (3,048) |
| Valuation difference on subsidiaries | (361) | (330) | (2,941) |
| Other | (141) | (155) | (1,382) |
| Deferred tax liabilities | (1,307) | (1,150) | (10,250) |
| Net deferred tax assets | ¥ (247) | ¥ (54) | \$ (481) |

Note 14. Other comprehensive income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2017.

| | Millions of Yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Net unrealized gains (losses) on other securities: | | | |
| Amount arising during the year | ¥ (362) | ¥ 345 | \$ 3,075 |
| Reclassification adjustments for gains and losses included in profit attributable to owners of parent | (278) | (98) | (874) |
| Amount before tax effect | (641) | 246 | 2,193 |
| Tax effect | 209 | (74) | (660) |
| Net unrealized gains (losses) on other securities | (431) | 171 | 1,524 |
| Net unrealized gains (losses) from hedging instruments: | | | |
| Amount arising during the year | — | (3) | (27) |
| Reclassification adjustments for gains and losses included in profit attributable to owners of parent | — | — | — |
| Amount before tax effect | — | (3) | (27) |
| Tax effect | — | — | — |
| Net unrealized gains (losses) from hedging instruments | — | (3) | (27) |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year | (874) | (469) | (4,180) |
| Reclassification adjustments for gains and losses included in profit attributable to owners of parent | 65 | — | — |
| Amount before tax effect | (809) | (469) | (4,180) |
| Tax effect | — | — | — |
| Foreign currency translation adjustments | (809) | (469) | (4,180) |
| Retirement benefits asset and liability adjustments: | | | |
| Amount arising during the year | (670) | 217 | 1,934 |
| Reclassification adjustments for gains and losses included in profit attributable to owners of parent | (190) | (161) | (1,435) |
| Amount before tax effect | (861) | 56 | 499 |
| Tax effect | 286 | (16) | (143) |
| Retirement benefits asset and liability adjustments | (574) | 39 | 348 |
| Total other comprehensive income | ¥ (1,815) | ¥ (262) | \$ (2,335) |

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 |
|---|-----------------|---------|---------------------------|
| | 2016 | 2017 | 2017 |
| Basic profit attributable to owners of parent per share: | | | |
| Profit attributable to owners of parent | ¥ 2,678 | ¥ 1,017 | \$ 9,065 |
| Profit attributable to owners of parent not attributable to common stockholders | — | — | — |
| Profit attributable to owners of parent attributable to common stock | 2,678 | 1,017 | 9,065 |

| | Thousands of shares | |
|--|---------------------|--------|
| | 2016 | 2017 |
| Average number of shares of common stock outstanding during the year | 70,600 | 67,064 |

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 |
|--|-----------------|------|---------------------------|
| | 2016 | 2017 | 2017 |
| Diluted profit attributable to owners of parent per share: | | | |
| Adjustments | ¥ — | ¥ — | \$ — |

| | Thousands of shares | |
|---|---------------------|------|
| | 2016 | 2017 |
| Increase in number of shares of common stock (share subscription rights) | 139 | 15 |
| 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 | — | — |

Note 16. Financial instruments

(1) Policy for financial instruments

The Company and consolidated subsidiaries manage temporary cash surpluses through low-risk financial assets.

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. Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of effectiveness of hedging activities is found in Note 1 (q).

Execution and management of derivatives transactions are carried out in accordance with the company rules 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 are 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, 2016 and 2017 was summarized as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|-----------------|------------|------------|------------|------------|------------|---------------------------|------------|------------|
| | 2016 | | | 2017 | | | 2017 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Cash and cash equivalents | ¥ 10,668 | ¥ 10,668 | ¥ — | ¥ 10,011 | ¥ 10,011 | ¥ — | \$ 89,233 | \$ 89,233 | \$ — |
| Time deposits | 110 | 110 | — | 106 | 106 | — | 945 | 945 | — |
| Notes and accounts receivable, trade | 16,509 | 16,509 | — | 14,853 | 14,853 | — | 132,391 | 132,391 | — |
| Other current assets and investment securities | 2,147 | 2,147 | — | 2,063 | 2,063 | — | 18,388 | 18,388 | — |
| Notes and accounts payable, trade | 4,808 | 4,808 | — | 6,118 | 6,118 | — | 54,532 | 54,532 | — |
| Short-term loans payable | 10,305 | 10,305 | — | 11,700 | 11,700 | — | 104,287 | 104,287 | — |
| Accounts payable, non-trade | 6,245 | 6,245 | — | 1,407 | 1,407 | — | 12,541 | 12,541 | — |
| Long-term debt | 7,241 | 7,201 | (39) | 6,747 | 6,743 | (3) | 60,139 | 60,103 | (27) |
| Derivatives | 26 | 26 | — | 2 | 2 | — | 18 | 18 | — |

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

The assets and liabilities arising from derivatives are shown on a net basis with the amount in parentheses representing a net liability position.

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 |
|---------------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Unlisted securities | ¥ 258 | ¥ 306 | \$ 2,728 |

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 | | |
|--|---------------------|---------------------------------------|--|---------------------|---------------------------------------|--|---------------------------|---------------------------------------|--|
| | 2016 | | | 2017 | | | 2017 | | |
| | Due within one year | Due after one year through five years | Due after five years through ten years | Due within one year | Due after one year through five years | Due after five years through ten years | Due within one year | Due after one year through five years | Due after five years through ten years |
| Cash equivalents and time deposits | ¥ 10,631 | ¥ — | ¥ — | ¥ 9,996 | ¥ — | ¥ — | \$ 89,099 | \$ — | \$ — |
| Notes and accounts receivable, trade | 16,509 | — | — | 14,853 | — | — | 132,391 | — | — |
| Other current assets and investment securities | — | 56 | — | 64 | — | — | 570 | — | — |
| Total | ¥ 27,141 | ¥ 56 | ¥ — | ¥ 24,914 | ¥ — | ¥ — | \$ 222,070 | \$ — | \$ — |

Note 17. Securities

Information regarding securities classified as other securities at March 31, 2016 and 2017 was summarized as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|-----------------|----------------|------------------------|----------------|----------------|------------------------|---------------------------|------------------|------------------------|
| | 2016 | | | 2017 | | | 2017 | | |
| | 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 | ¥ 1,767 | ¥ 1,367 | ¥ 400 | ¥ 1,632 | ¥ 1,051 | ¥ 581 | \$ 14,547 | \$ 9,368 | \$ 5,179 |
| Others | 56 | 21 | 34 | 64 | 21 | 42 | 570 | 187 | 374 |
| Subtotal | 1,824 | 1,389 | 435 | 1,697 | 1,073 | 623 | 15,126 | 9,564 | 5,553 |
| Securities whose cost exceeds their fair value | | | | | | | | | |
| Stocks | 323 | 517 | (193) | 366 | 502 | (135) | 3,262 | 4,475 | (1,203) |
| Subtotal | 323 | 517 | (193) | 366 | 502 | (135) | 3,262 | 4,475 | (1,203) |
| Total | ¥ 2,147 | ¥ 1,906 | ¥ 241 | ¥ 2,063 | ¥ 1,575 | ¥ 487 | \$ 18,388 | \$ 14,039 | \$ 4,341 |

Unlisted stocks of ¥57 million at March 31, 2016 and ¥95 million (\$847 thousand) at March 31, 2017 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 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Investment securities | ¥ 201 | ¥ 210 | \$ 1,872 |

Information regarding sales of securities classified as other securities for the years ended March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Proceeds from sales of securities | ¥ 360 | ¥ 430 | \$ 3,833 |
| Stocks | 360 | 430 | 3,833 |
| Gains on sales | 294 | 99 | 882 |
| Stocks | 294 | 99 | 882 |
| Losses on sales | 0 | 0 | 0 |
| Stocks | 0 | 0 | 0 |

Impairment of investment securities classified as other securities for the years ended March 31, 2016 and 2017 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------|-----------------|------|---------------------------|
| | 2016 | 2017 | 2017 |
| Stocks | ¥ 16 | ¥ — | \$ — |

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) |
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | | | |
| Forward foreign exchange contracts: | | | | | | | | | |
| Sell: US\$ / Buy: Yen | ¥ 653 | ¥ 1,281 | ¥ 26 | ¥ 6 | ¥ 26 | ¥ 6 | \$ 11,418 | \$ 53 | \$ 53 |
| Sell: US\$ / Buy: GBP | — | 44 | — | (0) | — | (0) | 392 | (0) | (0) |
| Sell: US\$ / Buy: EUR | — | 29 | — | 0 | — | 0 | 258 | 0 | 0 |
| Total | ¥ 653 | ¥ 1,355 | ¥ 26 | ¥ 6 | ¥ 26 | ¥ 6 | \$ 12,078 | \$ 53 | \$ 53 |

(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 | | Fair value | | Contract amount | Due after one year | Fair value |
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | | | |
| Interest rate swaps (Deferral hedge accounting) | ¥ — | ¥ 800 | ¥ — | ¥ 800 | ¥ — | ¥ (3) | \$ 7,131 | \$ 7,131 | \$ (27) |
| Interest rate swaps (Exceptional treatment) | ¥ 5,314 | ¥ 3,598 | ¥ 3,598 | ¥ 1,938 | ¥ — | ¥ — | \$ 32,071 | \$ 17,274 | \$ — |

(1) Calculation of fair value

The fair value is calculated by the forward interest rate.

(2) Regarding interest rate swaps to which the exceptional treatment applied, 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, 2016 and 2017 amounted to ¥639 million and ¥627 million (\$5,589 thousand), respectively.

Information on the fair value of investment and rental property at March 31, 2016 and 2017 was summarized as follows:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|----------------------------------|----------------------------|------------|----------------------------------|----------------------------|------------|----------------------------------|----------------------------|------------|
| | 2016 | | | 2017 | | | 2017 | | |
| | 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 |
| | ¥ 9,019 | ¥ 8,875 | ¥ 16,132 | ¥ 8,875 | ¥ 8,410 | ¥ 15,481 | \$ 79,107 | \$ 74,962 | \$ 137,989 |

1. The fair value represents the acquisition cost less accumulated depreciation.

2. 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.

1. Business segment information

| | Millions of yen | | | | | | | | |
|--|----------------------------|--------------------------------|----------------------|---------------|---------------|---------------|---------------|---------------|--------------|
| | Reportable Segments | | | | Subtotal | Other | Total | Adjustment | Consolidated |
| | Connection System Division | Functional Components Division | Touch Panel Division | | | | | | |
| 2016 | | | | | | | | | |
| 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 | |

| | Millions of yen | | | | | | | |
|--|----------------------------|--------------------------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | Reportable Segments | | | | Subtotal | Other | Total | Adjustment |
| | Connection System Division | Functional Components Division | Touch Panel Division | | | | | |
| 2017 | | | | | | | | |
| Net sales | | | | | | | | |
| Outside customers | ¥ 23,539 | ¥ 27,238 | ¥ 11,931 | ¥ 62,708 | ¥ 263 | ¥ 62,971 | ¥ — | ¥ 62,971 |
| Intersegment sales | — | — | — | — | — | — | — | — |
| Total | 23,539 | 27,238 | 11,931 | 62,708 | 263 | 62,971 | — | 62,971 |
| Operating income (loss) | 1,919 | (786) | 113 | 1,246 | (616) | 630 | — | 630 |
| Identifiable assets | 13,779 | 14,070 | 6,047 | 33,897 | 11,927 | 45,824 | 16,493 | 62,318 |
| Others | | | | | | | | |
| Depreciation | 2,117 | 1,131 | 636 | 3,885 | 258 | 4,143 | — | 4,143 |
| Increase in fixed assets and intangible fixed assets | 2,263 | 1,637 | 543 | 4,443 | 152 | 4,595 | — | 4,595 |

| | Thousands of U.S. dollars | | | | | | | |
|--|----------------------------|--------------------------------|----------------------|------------|----------|------------|------------|--------------|
| | Reportable Segments | | | | Other | Total | Adjustment | Consolidated |
| 2017 | Connection System Division | Functional Components Division | Touch Panel Division | Subtotal | | | | |
| Net sales | | | | | | | | |
| Outside customers | \$ 209,814 | \$ 242,785 | \$ 106,346 | \$ 558,945 | \$ 2,344 | \$ 561,289 | \$ — | \$ 561,289 |
| Intersegment sales | — | — | — | — | — | — | — | — |
| Total | 209,814 | 242,785 | 106,346 | 558,945 | 2,344 | 561,289 | — | 561,289 |
| Operating income (loss) | 17,105 | (7,006) | 1,007 | 11,106 | (5,491) | 5,615 | — | 5,615 |
| Identifiable assets | 122,818 | 125,412 | 53,900 | 302,139 | 106,311 | 408,450 | 147,010 | 555,468 |
| Others | | | | | | | | |
| Depreciation | 18,870 | 10,081 | 5,669 | 34,629 | 2,300 | 36,928 | — | 36,928 |
| Increase in fixed assets and intangible fixed assets | 20,171 | 14,591 | 4,840 | 39,602 | 1,355 | 40,957 | — | 40,957 |

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

| 2016 | Millions of yen | | | | | | | |
|-----------|-----------------|----------|----------|---------------|---------|---------|-------|--------------|
| | Japan | Asia | | North America | | Europe | Other | Consolidated |
| | | China | Other | U.S.A. | Other | | | |
| Net sales | ¥ 12,938 | ¥ 19,470 | ¥ 11,968 | ¥ 28,771 | ¥ 1,181 | ¥ 2,873 | ¥ 1 | ¥ 77,206 |

| 2017 | Millions of yen | | | | | | | |
|-----------|-----------------|----------|---------|---------------|-------|---------|-------|--------------|
| | Japan | Asia | | North America | | Europe | Other | Consolidated |
| | | China | Other | U.S.A. | Other | | | |
| Net sales | ¥ 13,545 | ¥ 16,014 | ¥ 7,459 | ¥ 22,083 | ¥ 591 | ¥ 3,277 | ¥ — | ¥ 62,971 |

| 2017 | Thousands of U.S. dollars | | | | | | | |
|-----------|---------------------------|------------|-----------|---------------|----------|-----------|-------|--------------|
| | Japan | Asia | | North America | | Europe | Other | Consolidated |
| | | China | Other | U.S.A. | Other | | | |
| Net sales | \$ 120,733 | \$ 142,740 | \$ 66,485 | \$ 196,836 | \$ 5,268 | \$ 29,209 | \$ — | \$ 561,289 |

(2) Fixed assets

| 2016 | Millions of yen | | | | | | | |
|--------------|-----------------|---------|-------------|---------------|--------|--------|-------|--------------|
| | Japan | Asia | | North America | | Europe | Other | Consolidated |
| | | China | Philippines | Other | U.S.A. | | | |
| Fixed assets | ¥ 15,843 | ¥ 3,528 | ¥ 2,439 | ¥ 285 | ¥ 377 | ¥ 437 | ¥ — | ¥ 22,912 |

| 2017 | Millions of yen | | | | | | | |
|--------------|-----------------|---------|-------------|---------------|--------|--------|-------|--------------|
| | Japan | Asia | | North America | | Europe | Other | Consolidated |
| | | China | Philippines | Other | U.S.A. | | | |
| Fixed assets | ¥ 15,402 | ¥ 3,198 | ¥ 2,344 | ¥ 379 | ¥ 233 | ¥ 411 | ¥ — | ¥ 21,970 |

| 2017 | Thousands of U.S. dollars | | | | | | | |
|--------------|---------------------------|-----------|-------------|---------------|----------|----------|-------|--------------|
| | Japan | Asia | | North America | | Europe | Other | Consolidated |
| | | China | Philippines | Other | U.S.A. | | | |
| Fixed assets | \$ 137,285 | \$ 28,505 | \$ 20,893 | \$ 3,378 | \$ 2,077 | \$ 3,663 | \$ — | \$ 195,829 |

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 |
|--------------------------------|-----------------|-------|---------------------------|
| | 2016 | 2017 | 2017 |
| Connection System Division | ¥ — | ¥ — | \$ — |
| Functional Components Division | — | 443 | 3,949 |
| Touch Panel Division | — | — | — |
| Subtotal | — | 443 | 3,949 |
| Other | — | — | — |
| Adjustments and eliminations | — | — | — |
| Consolidated | ¥ — | ¥ 443 | \$ 3,949 |

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

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

| 2017 | Millions of yen | | | | | | | |
|----------------------------|--------------------------------|----------------------|----------|-------|-------|------------|--------------|--|
| | Reportable Segments | | | | Other | Adjustment | Consolidated | |
| Connection System Division | Functional Components Division | Touch Panel Division | Subtotal | | | | | |
| Amortization | ¥ — | ¥ 91 | ¥ 45 | ¥ 137 | ¥ — | ¥ — | ¥ 137 | |
| Balance | — | — | — | — | — | — | — | |

| 2017 | Thousands of U.S. dollars | | | | | | | |
|----------------------------|--------------------------------|----------------------|----------|----------|-------|------------|--------------|--|
| | Reportable Segments | | | | Other | Adjustment | Consolidated | |
| Connection System Division | Functional Components Division | Touch Panel Division | Subtotal | | | | | |
| Amortization | \$ — | \$ 811 | \$ 401 | \$ 1,221 | \$ — | \$ — | \$ 1,221 | |
| Balance | — | — | — | — | — | — | — | |

Impairment loss on goodwill in the amount of ¥263 million (\$2,344 thousand) was recognized for the year ended March 31, 2017.

Note 21. Related party transactions

Significant transactions with related parties for the years ended March 31, 2016 and 2017 were as follows:

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

| 2017 | Millions of yen | | | | |
|--|-----------------------------|--------------------------|----------|-------------------|----------------------|
| | Transactions | | Balances | | |
| | Purchase of golf membership | Guaranty money deposited | Rent | Other investments | Other current assets |
| Terutaka Ikeda (Supreme corporate adviser) | ¥ 12 | ¥ — | ¥ 14 | ¥ 14 | ¥ 1 |

| 2017 | Millions of yen | | | |
|-----------------------|-------------------------------|-----------------|----------------------|----------------------------|
| | Transactions | | Balances | |
| | Collection of loan receivable | Interest income | Other current assets | Long-term loans receivable |
| Paul Evans (Director) | ¥ 1 | ¥ 1 | ¥ 1 | ¥ 35 |

| 2017 | Thousands of U.S. dollars | | | | |
|--|-----------------------------|--------------------------|----------|-------------------|----------------------|
| | Transactions | | Balances | | |
| | Purchase of golf membership | Guaranty money deposited | Rent | Other investments | Other current assets |
| Terutaka Ikeda (Supreme corporate adviser) | \$ 107 | \$ — | \$ 125 | \$ 125 | \$ 9 |

| 2017 | Thousands of U.S. dollars | | | |
|-----------------------|-------------------------------|-----------------|----------------------|----------------------------|
| | Transactions | | Balances | |
| | Collection of loan receivable | Interest income | Other current assets | Long-term loans receivable |
| Paul Evans (Director) | \$ 11 | \$ 13 | \$ 12 | \$ 315 |

Report of Independent Auditors

SMK Corporation and Consolidated Subsidiaries



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.or.jp

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, 2017, 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, 2017, 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.

Ernst & Young ShinNihon LLC

June 22, 2017
 Tokyo, Japan

A member firm of Ernst & Young Global Limited

Officer Introduction

(As of June 22, 2017)

Directors



Yasumitsu Ikeda
 President,
 Chief Executive Officer and
 Chief Operating Officer



Yoshiyuki Kaku
 Director and
 Executive Deputy President,
 Chief Technology Officer



Mikio Wakabayashi
 Director and
 Executive Vice President



Paul Evans
 Director and
 Executive Vice President



Toshio Nakamura
 Director



Kaoru Ishikawa
 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



Masanobu Ikee
 Vice President



Mitsuhiko Goto
 Vice President



Tetsuo Hara
 Vice President



Mitsuyuki Masubuchi
 Vice President



Hiroshi Usami
 Vice President,
 Chief Information Officer



Atsushi Obinata
 Vice President



Fumikazu Hata
 Vice President

Corporate Information

(As of March 31, 2017)

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) | 6,188 |
| 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, 37 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

- * 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.
- * microSD is a registered trademark or trademark of SD-3C, LLC.
- * Other products and company names listed in this report are the registered trademarks or trademarks of their respective holders.

SMK CORPORATION

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

Shares and Shareholders

| | |
|-------------------------------|-------------|
| Authorized shares | 195,961,274 |
| Issued shares | 75,000,000 |
| Number of shareholders | 7,509 |

| Major Shareholders (top ten) | Shares Owned (1,000 shares) | Percentage of Shares (%) |
|---|--------------------------------|-----------------------------|
| Mizuho Bank, Ltd. | 3,287 | 4.96 |
| SMK Cooperating Company Share Holding Association | 3,266 | 4.93 |
| Nippon Life Insurance Company | 3,241 | 4.89 |
| Dai Nippon Printing Co., Ltd. | 3,200 | 4.83 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,508 | 3.79 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,134 | 3.22 |
| SMK Employees Share Holding Association | 1,845 | 2.78 |
| Mitsubishi UFJ Trust and Banking Corporation | 1,800 | 2.72 |
| The Showa Ikeda Memorial Foundation | 1,500 | 2.26 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 1,454 | 2.19 |

Note: SMK holds 8,745 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 | 21,072,685 (28.10%) |
| Financial instruments dealers | 1,036,631 (1.38%) |
| Other entities | 10,087,406 (13.45%) |
| Foreign entities, etc. | 8,304,021 (11.07%) |
| Individuals and others | 34,499,257 (46.00%) |

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/>