

SEMI ANNUAL REPORT 2013

For the six months ended September 30, 2013



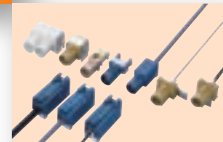
Automotive capacitive touch panel



Touch Panel Division

Connection System Division

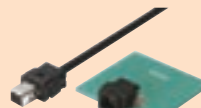
Functional Components Division



SMB coaxial connector with a molded locking provision



Wide-angle camera module



Rectangular coaxial connector



Top push switch (long stroke type)



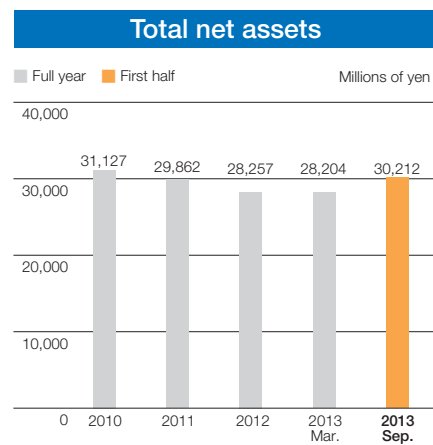
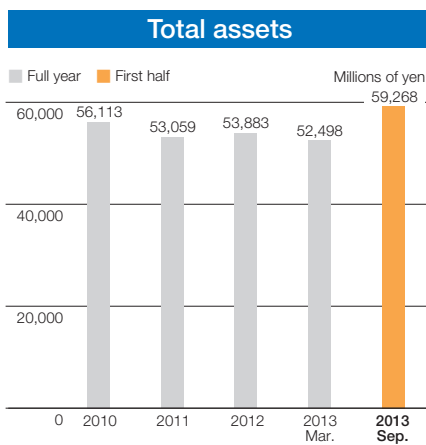
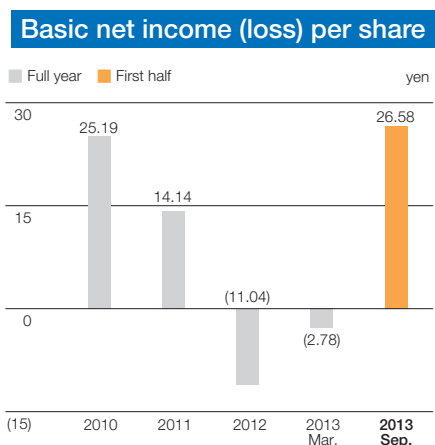
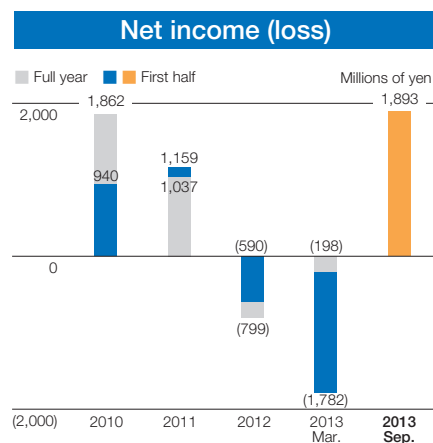
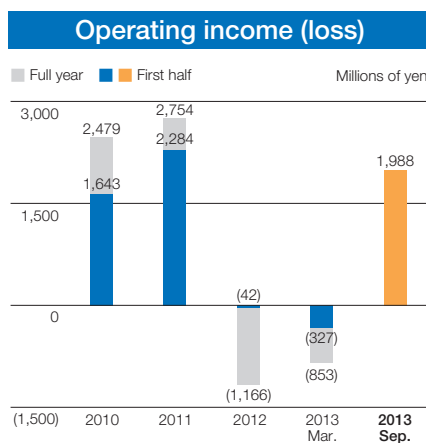
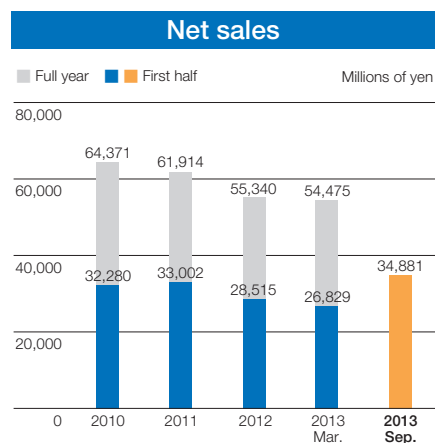
FPC connector

Financial Highlights

SMK Corporation and Consolidated Subsidiaries

Six months ended September 30	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2012	2013	2013	2013 Year ended March 31
Operating Results				
Net sales	¥ 26,829	¥ 34,881	\$ 356,839	¥ 54,475
Operating income (loss)	(327)	1,988	20,337	(853)
Net income (loss)	(1,782)	1,893	19,366	(198)
Financial Position				
Total assets	¥ 50,627	¥ 59,268	\$ 606,322	¥ 52,498
Total net assets	25,157	30,212	309,074	28,204
Per Share Data				
Net income (loss):	Yen	Yen	U.S. dollars	Yen
Basic	¥ (24.83)	¥ 26.58	\$ 0.27	¥ (2.78)

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥97.75 = U.S. \$1.00.



To Our Shareholders and Investors

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

We would like to report on the outline and results of the SMK Group's businesses for the half period of the 92nd fiscal year (from April 1, 2013 to September 30, 2013).

We look forward to your continuing support and encouragement.



November 2013

Yasumitsu Ikeda
President and COO

Tetsuya Nakamura
Chairman and CEO

Performance Overview

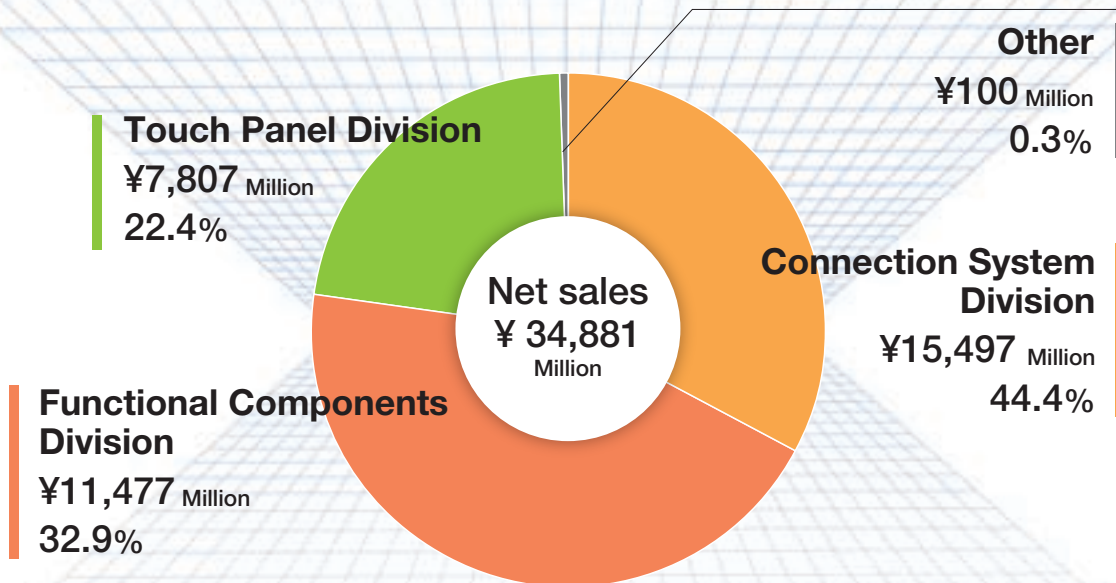
Looking at the global economy during the half period of the 92nd fiscal year ended September 30, 2013, the U.S. economy made a moderate recovery owing to steady consumer spending and an improved employment situation, despite some negative factors such as the uncertainty of the government's financial issues. The European economy also showed a gradual recovery as a whole, although weakness remains mainly in Southern European countries. Meanwhile, the emerging nations including China suffered a slowdown in growth rates due to the factors such as uncertain business conditions and increase in prices and labor costs. As for the Japanese economy, the recovery of overseas economies and the correction of yen appreciation pushed exports on an increasing trend, and improvements in the employment and income situations led to a moderate expansion. The electronic components industry benefitted from favorable demand of the automotive markets in the United States and emerging nations. Although the demand for components for personal computers and televisions was sluggish, components for smartphones and tablet devices kept steady demand.

Under these circumstances, we achieved increases in consolidated sales and income for the half period of the 92nd fiscal year ended September 30, 2013. This was mainly due to the strong performance of our new products for smartphones, the brisk sales of our components for the automotive market in North America and our remote control business with new customers gaining momentum.

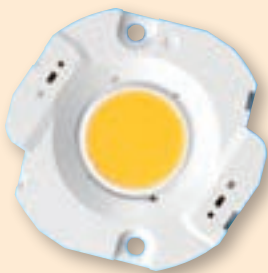
Although there are uncertainties about the future of the global economy, we will make continued efforts to build corporate systems that can swiftly accommodate to changing needs by actively promoting businesses in new markets such as those related to the environment, energy and healthcare with constant attention to market moves, and further expand our earning capabilities.

Overview of Consolidated Results by Division

(April 1, 2013 to September 30, 2013)



Connection System Division



Receptacle for LED lighting
Application: LED lighting

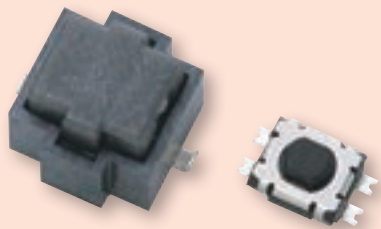
Major Products

- Board to board connectors
- Battery connectors
- Interface connectors
- Card connectors
- Jacks

In the information and communication market for which we have many strengths, our new products for smartphones, sales of which are growing rapidly, have been adopted and deployed as standard components by smartphone manufacturers both at home and abroad. In the automotive market, we benefitted from the favorable sales of components for the North American market and an increase in demand for connectors that feature safety and security functions. In the environment market, there was a rapid expansion of the photovoltaic generation systems business in Japan. From these reasons, this division achieved a significant year-on-year increase in net sales.

The businesses in the electronic components industry in which we operate have been always experiencing ups and downs. To survive in the industry's drastic changes, we will strive to develop new products targeted at growing markets and manufacturers.

Functional Components Division



High-load push switch

Applications: Keyless entry systems, car audio equipment and operational use for other devices and equipment

Major Products

- Remote controls
- Switches
- Bluetooth® units
- Camera modules

In the audiovisual (AV) market, the products for set-top boxes achieved further advancement in functions and considerable growth in sales to new customers in Western countries, contributing to increase in the overall sales of this division. Meanwhile, sales of products for conventional flat-panel televisions and digital home appliances remained at a low level.

Although sales of the division's products for smartphones suffered a significant decline due to customers' sluggish business, we will focus on acquiring new orders for functional components with high growth potential in markets related to automotive products, HEMS (home energy management system) and healthcare.

Touch Panel Division



Transparent capacitive touch switches

Applications: Home appliances such as microwave ovens, refrigerators and rice cookers, and office equipment, including printers

Major Products

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

Partly due to the booming market situation, sales of our touch panels for car navigation systems increased drastically, centering on those for the North American market. Sales of touch panels for ATMs performed well as planned. However, sales of touch panels for the smartphone market struggled due to the shakeout of customers and intensified competition. We will direct our attention to new markets as well, including the market for home appliances, where an increasing ratio of installment of inexpensive touch panels and transparent capacitive touch switches is expected, in promoting product development and sales expansion.

1 Celebrating the 40th anniversary of SMK America and the 25th anniversary of SMK Mexico

This year marks the 40th anniversary of SMK Electronics Corporation U.S.A. (SMK America), our sales subsidiary, and the 25th anniversary of SMK Electronica S.A. de C.V. (SMK Mexico), our production subsidiary. On September 19, 2013, we had an anniversary party and looked back at the histories of the two companies with 150 participants.

SMK Electronics Corporation U.S.A. started as a representative office that opened in March 1973 and was incorporated as a subsidiary in September 1973. Currently, the subsidiary is based in Chula Vista, California, with about 50 employees engaging in sales activities at seven offices including a SOHO, in the United States. SMK Electronica S.A. de C.V. was established in March 1988 in Tijuana in the state of Baja California, Mexico, and started

operations in October 1988. We had expanded the factories afterward and in January 2013, those were consolidated into one location to ensure the efficient management of production. Currently, about 1,000 employees engage in the production of remote controls, control panels and other products.

Our sales to the North American market account for around 25% of total sales. The two companies that celebrated their 40th and 25th anniversaries this year have a vital role in our business development in North America.



SMK Electronica S.A. de C.V.



SMK Electronics Corporation U.S.A.



2 Participating in the International Broadcasting Convention

We had a booth at the International Broadcasting Convention held in Amsterdam, the Netherlands, September 13 to 17, 2013, displaying some of our products, including IPTV remote controls equipped with motion sensors and speech recognition remote controls. This was our third IBC, and we presented a variety of remote controls at our booth, including Bluetooth-compliant remote controls with low power consumption, speech recognition remote controls and keyboard-type remote controls, and also, new products featuring a European design attracted the attention of visitors. We will continue to be attentive to feedback from users and thereby develop new markets for our remote controls.



SMK booth at the IBC

3 “Monozukuri Class” held at SMK



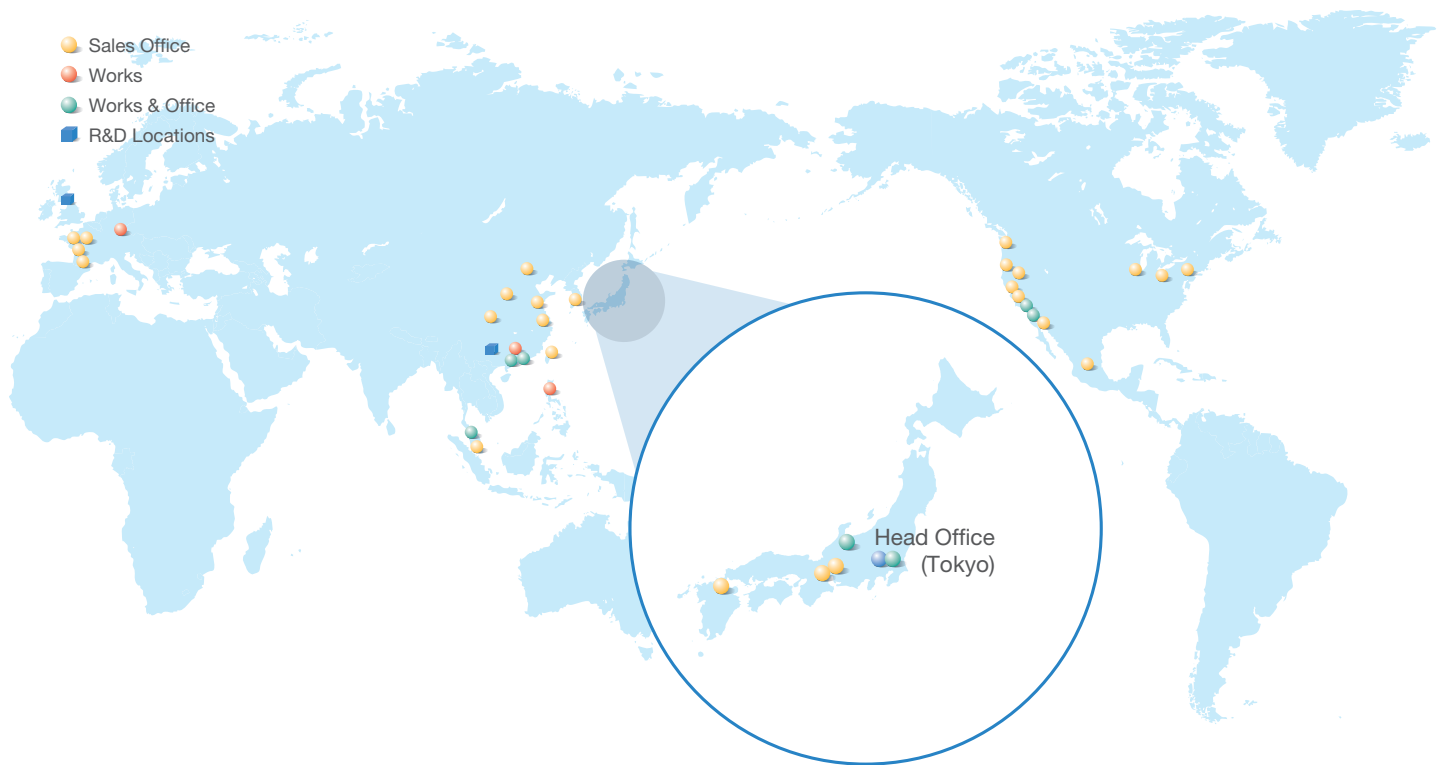
The children tackled the work in all seriousness. Some struggled with their first experience of soldering, but all the participants ended with bright smiles, completing their tasks successfully.



A melody IC was added to provide a sound.

Since its launch in 2008, the Monozukuri Class sessions have been held yearly by the Japan Electronics and Information Technology Industries Association (JEITA) to help raise the interest of children in monozukuri, or industrial engineering, and to prevent them from turning away from science. This year, the sixth session of the Monozukuri Class was held with the theme of “Turn on the Light with a Remote Control” at the SMK Toyama Works. It attracted 30 participants in the fifth and sixth grades who go to elementary schools near the Toyama Office.

Global Network



ASIA

SMK High-Tech Taiwan Trading Co., Ltd.
SMK Electronics (H.K.) Ltd.
SMK Trading (H.K.) Ltd.
SMK Electronics (Dongguan) Co., Ltd.
SMK Electronics (Shenzhen) Co., Ltd.
SMK Electronics Trading (Shenzhen) Co., Ltd.
SMK Electronics Trading (Shenzhen) Co., Ltd. Xi'an Office
SMK Electronics Trading (Shenzhen) Co., Ltd. Chongqing Office
SMK Electronics Technology Development (Shenzhen) Co., Ltd.
SMK Electronics Trading (Shanghai) Co., Ltd.
SMK Electronics INT'L Trading (Shanghai) Co., Ltd.
SMK Electronics INT'L Trading (Shanghai) Co., Ltd. Beijing Office
SMK Electronics INT'L Trading (Shanghai) Co., Ltd. Qingdao Office
SMK Electronics Singapore Pte. Ltd.
SMK Electronics (Malaysia) Sdn. Bhd.
SMK Electronics (Phils.) Corporation
SMK Korea Co., Ltd.

EUROPE

SMK Europe N.V.
SMK Europe N.V., U.K. Branch
SMK Europe N.V., France Branch
SMK Europe N.V., Munich Office
SMK Europe N.V., Dusseldorf Branch
SMK Hungary Kft.

AMERICA

SMK Electronics Corporation U.S.A.
SMK Electronics Corporation U.S.A., San Jose Office
SMK Electronics Corporation U.S.A., East Office
SMK Electronics Corporation U.S.A., Los Angeles Office
SMK Electronics Corporation U.S.A., Seattle Office
SMK Electronics Corporation U.S.A., Chicago Office
SMK Electronics Corporation U.S.A., Detroit Office
SMK-Link Electronics Corporation
SMK-Link Electronics Corporation, San Jose Office
SMK Manufacturing, Inc.
SMK Electronica S.A. de C.V.
SMK Mexicana S de RL de C.V.
SMK Mexicana S de RL de C.V. Mexico City Office

Consolidated Balance Sheets

SMK Corporation and Consolidated Subsidiaries
As of September 30

Assets	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2012	2013	2013	As of March 31 2013
Current assets				
Cash and cash equivalents	¥ 7,903	¥ 11,396	\$ 116,583	¥ 8,631
Time deposits	58	90	921	82
Notes and accounts receivable, trade	14,159	16,976	173,668	14,551
Allowance for doubtful accounts	(44)	(57)	(583)	(53)
Inventories	5,714	5,753	58,854	5,466
Deferred tax assets	—	651	6,660	472
Other current assets	3,771	3,619	37,022	3,484
	31,561	38,428	393,125	32,633
Investments and long-term loans				
Investment securities	1,713	2,686	27,478	1,908
Long-term loans receivable	131	139	1,422	141
Other investments	752	617	6,312	619
Allowance for doubtful accounts	(118)	(111)	(1,136)	(112)
	2,478	3,331	34,076	2,556
Property, plant and equipment				
Land	4,424	4,237	43,345	4,358
Buildings	17,161	16,941	173,309	17,055
Machinery and vehicles	17,087	17,642	180,481	17,132
Tooling and office furniture	20,896	22,219	227,304	21,174
Construction in progress	122	297	3,039	357
	59,690	61,336	627,478	60,076
Less-accumulated depreciation	(43,628)	(44,336)	(453,565)	(43,370)
	16,062	17,000	173,913	16,706
Other assets				
Deferred tax assets	246	185	1,893	290
Intangible assets	280	324	3,315	313
	526	509	5,208	603
Total assets	¥ 50,627	¥ 59,268	\$ 606,322	¥ 52,498

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥97.75 = U.S. \$1.00.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2012	2013	2013	As of March 31 2013
Current liabilities				
Short-term loans payable	¥ 9,121	¥ 7,343	\$ 75,120	¥ 7,141
Notes and accounts payable, trade	3,111	4,331	44,307	3,194
Accrued income taxes	89	682	6,977	370
Accrued bonus	633	822	8,409	476
Accounts payable, non-trade	6,498	8,093	82,793	6,657
Other current liabilities	1,275	1,350	13,811	1,326
	20,727	22,621	231,417	19,164
Long-term liabilities				
Long-term debt	4,213	5,532	56,593	4,347
Accrued employees' retirement benefits	17	200	2,046	162
Accrued directors' and officers' retirement benefits	122	156	1,596	143
Other long-term liabilities	391	547	5,596	478
	4,743	6,435	65,831	5,130
Net assets				
Shareholders' equity				
Common stock				
Authorized : 195,961,274 shares				
Issued and outstanding : 79,000,000 shares	7,996	7,996	81,801	7,996
Capital surplus	12,345	12,344	126,281	12,345
Retained earnings	12,571	15,691	160,522	14,154
Treasury stock	(3,697)	(3,672)	(37,565)	(3,697)
	29,215	32,359	331,039	30,798
Accumulated other comprehensive income				
Net unrealized gains (losses) on other securities	(204)	261	2,670	70
Foreign currency translation adjustments	(3,909)	(2,492)	(25,494)	(2,742)
	(4,113)	(2,231)	(22,824)	(2,672)
Subscription rights to shares	55	84	859	78
	25,157	30,212	309,074	28,204
Total liabilities and net assets	¥ 50,627	¥ 59,268	\$ 606,322	¥ 52,498

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries
Six months ended September 30

	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2012	2013	2013	As of March 31 2013
Net sales	¥ 26,829	¥ 34,881	\$ 356,839	¥ 54,475
Cost of sales	22,981	28,389	290,425	47,047
Selling, general and administrative expenses	4,175	4,504	46,077	8,281
Operating income (loss)	(327)	1,988	20,337	(853)
Other income				
Interest and dividend income	40	37	379	73
Rent income	342	373	3,816	718
Foreign exchange gain, net	—	575	5,882	1,963
Gain on sales of fixed assets	28	34	348	144
Other	120	119	1,217	555
Total other income	530	1,138	11,642	3,453
Other expenses				
Interest expense	66	53	542	127
Rent expense	140	125	1,279	294
Foreign exchange loss, net	697	—	—	—
Loss on disposal of fixed assets	50	151	1,545	256
Loss on valuation of investment securities	67	—	—	—
Loss on impairment of fixed assets	—	142	1,453	200
Other	79	85	868	376
Total other expenses	1,099	556	5,687	1,253
Income (loss) before income taxes and minority interests	(896)	2,570	26,292	1,347
Income taxes				
Current	161	767	7,847	488
Deferred	730	(90)	(921)	1,062
Income (loss) before minority interests	(1,787)	1,893	19,366	(203)
Minority interests	(5)	—	—	(5)
Net income (loss)	¥ (1,782)	¥ 1,893	\$ 19,366	¥ (198)
	Yen		U.S. dollars	Yen
Per share data				
Net income (loss)				
Basic	¥ (24.83)	¥ 26.58	\$ 0.27	¥ (2.78)

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥97.75 = U.S. \$1.00.

Consolidated Statements of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries
Six months ended September 30

	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2012	2013	2013	As of March 31 2013
Income (loss) before minority interests	¥ (1,787)	¥ 1,893	\$ 19,366	¥ (203)
Other comprehensive income				
Net unrealized gains (losses) on other securities	(351)	191	1,954	(77)
Foreign currency translation adjustments	(410)	251	2,567	757
Total other comprehensive income	(761)	442	4,521	680
Comprehensive income	¥ (2,548)	¥ 2,335	\$ 23,887	¥ 477
Total comprehensive income attributable to:				
Shareholders of the Company	¥ (2,543)	¥ 2,335	\$ 23,887	¥ 482
Minority interests	(5)	—	—	(5)

Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries
Six months ended September 30

	Millions of yen		Thousands of U.S. dollars	Millions of yen
	2012	2013	2013	As of March 31 2013
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ (896)	¥ 2,570	\$ 26,292	¥ 1,347
Depreciation and amortization	1,561	1,536	15,714	3,439
Loss on impairment of fixed assets	—	142	1,453	200
Amortization of goodwill	81	30	307	110
Increase (decrease) in accrued employees' retirement benefits	(4)	37	379	138
(Increase) decrease in prepaid pension costs	276	—	—	410
Increase (decrease) in accrued directors' and officers' retirement benefits	4	12	123	25
Interest and dividend income	(40)	(37)	(379)	(73)
Interest expense	66	53	542	127
Loss on disposal of fixed assets	50	151	1,545	256
(Increase) decrease in notes and accounts receivable, trade	311	(1,849)	(18,916)	2,520
(Increase) decrease in inventories	(464)	(109)	(1,115)	541
Increase (decrease) in notes and accounts payable, trade	746	361	3,693	(2,236)
Increase (decrease) in accounts payable, non-trade	(747)	1,212	12,399	(925)
Other	106	(192)	(1,965)	(148)
Subtotal	1,050	3,917	40,072	5,731
Interest and dividends received	28	37	379	79
Interest paid	(66)	(53)	(542)	(129)
Income taxes paid	(150)	(382)	(3,909)	(181)
Income taxes refunded	10	1	10	16
Other	—	—	—	(206)
Net cash provided by (used in) operating activities	872	3,520	36,010	5,310
Cash flows from investing activities				
Payments into time deposits	(8)	(42)	(430)	(65)
Proceeds from time deposits	29	38	389	77
Purchases of fixed assets	(1,957)	(1,790)	(18,312)	(3,823)
Proceeds from sale of fixed assets	84	138	1,412	439
Purchases of intangible fixed assets	(9)	(54)	(552)	(62)
Purchases of investment securities	—	(491)	(5,023)	38
Proceeds from sale of investment securities	—	456	4,665	—
Payments for execution of loans	(49)	(46)	(471)	(112)
Collection of loans receivable	45	53	542	70
Other	5	(2)	(21)	36
Net cash provided by (used in) investing activities	(1,860)	(1,740)	(17,801)	(3,402)
Cash flows from financing activities				
Increase (decrease) in short-term loans payable	1,400	1,737	17,770	(800)
Proceeds from long-term debt	2,400	1,500	15,345	2,940
Payments of long-term debt	(2,579)	(1,850)	(18,926)	(2,928)
Purchases of treasury stock	(141)	(3)	(31)	(142)
Proceeds from sale of treasury stock	0	22	225	0
Dividends paid	(429)	(354)	(3,621)	(430)
Net cash provided by (used in) financing activities	651	1,052	10,762	(1,360)
Effect of exchange rate changes on cash and cash equivalents	(150)	(67)	(685)	(307)
Increase (decrease) in cash and cash equivalents	(487)	2,765	28,286	241
Cash and cash equivalents at beginning of the year	8,390	8,631	88,297	8,390
Cash and cash equivalents at end of six months and the year	¥ 7,903	¥ 11,396	\$ 116,583	¥ 8,631

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥97.75 = U.S. \$1.00.

Corporate Information

(As of September 30, 2013)

Corporate Data

Name	SMK Corporation
Established	April 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)	6,667
Head office	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan TEL : 81-3-3785-1111 FAX : 81-3-3785-1878
Subsidiaries & affiliates	
Domestic	Subsidiaries - 4 companies Affiliates - 1 company
Overseas	Subsidiaries - 23 companies
Website	http://www.smk.co.jp/

Shares and Shareholders

Total number of Authorized shares	195,961,274
Total number of Issued shares	79,000,000
Number of shareholders	9,268

Major shareholders (top ten)	Shares owned (1,000 shares)	Percentage of shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,687	5.16
Mizuho Bank, Ltd.	3,531	4.94
Nippon Life Insurance Company	3,421	4.78
Dai Nippon Printing Co., Ltd.	3,200	4.48
SMK Cooperating Company Share Holding Association	3,111	4.35
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,508	3.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,204	3.08
SMK Employees Share Holding Association	1,973	2.76
Mitsubishi UFJ Trust and Banking Corporation	1,937	2.71
The Showa Ikeda Memorial Foundation	1,500	2.09

Note: SMK holds 7,566 thousand shares of treasury stock, but these are excluded from the above list. Figures for percentage of shares are calculated excluding the treasury stock.

Board of Directors and Corporate Auditors

Directors

Chairman and CEO	Tetsuya Nakamura
President and COO	Yasumitsu Ikeda
Director, Executive Deputy President, Chief Information Officer	Yoshio Sakurai
Director, Executive Vice President, Chief Technology Officer	Yoshiyuki Kaku
Director	Yuji Tanahashi

Auditors

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

Corporate Executive Officers

Executive Vice President	Paul Evans
Executive Vice President	Mikio Wakabayashi
Executive Vice President, Chief Financial Officer	Kohei Ohgaki
Vice President	Hideo Matsumoto
Vice President	Tsutomu Isoda
Vice President	Hiroshi Miyakawa
Vice President	Shigechika Yanagi
Vice President	Takemi Ishibashi
Vice President	Harutaka Seki
Vice President	Masanobu Ikeo



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

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

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