

Business Report for FY2006

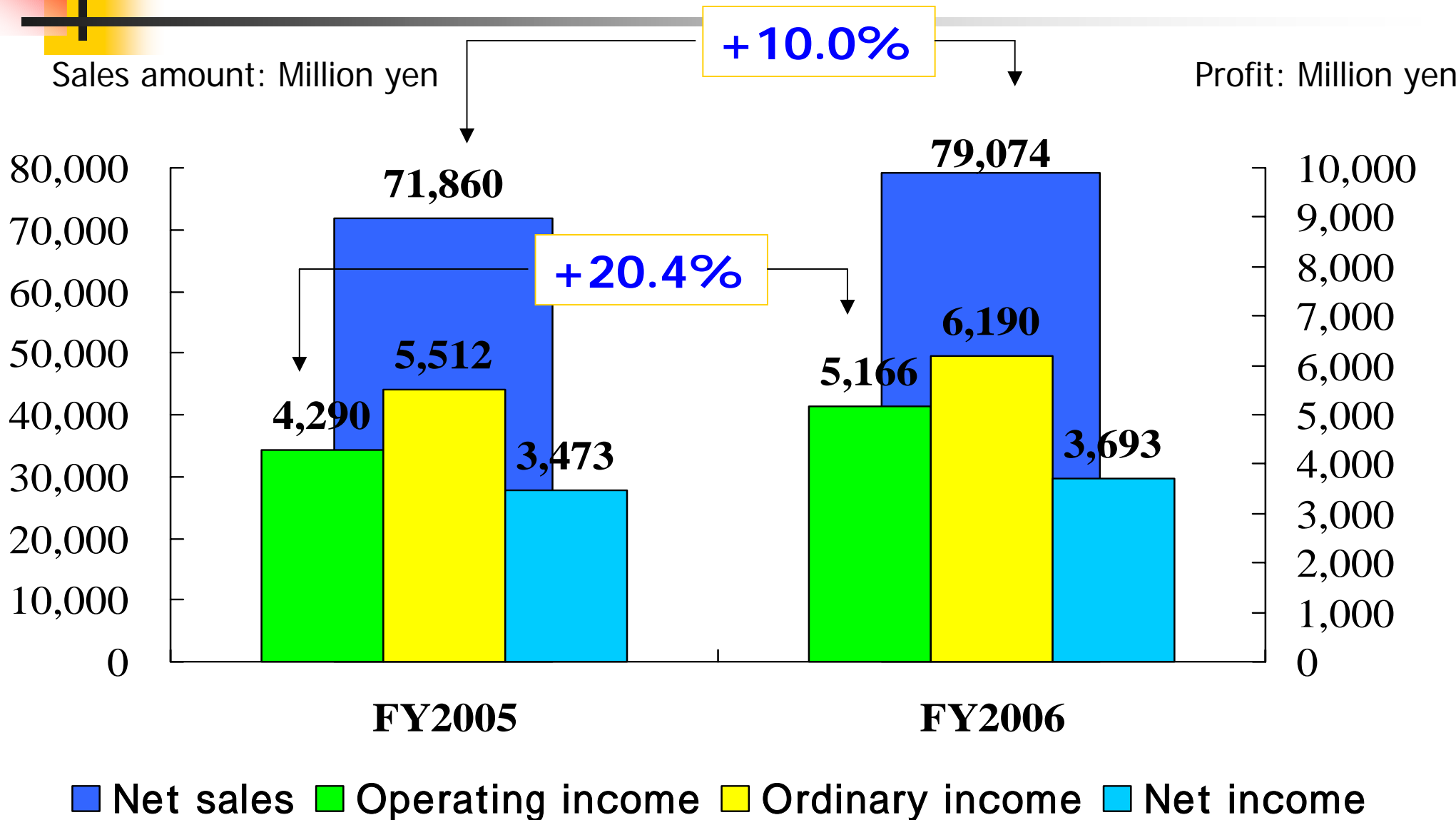
-From Apr.2006 to Mar.2007-

SMK Corporation

April,2007



Full fiscal term performance



Sales expenses

(Unit : million yen)

FY2005

67,570

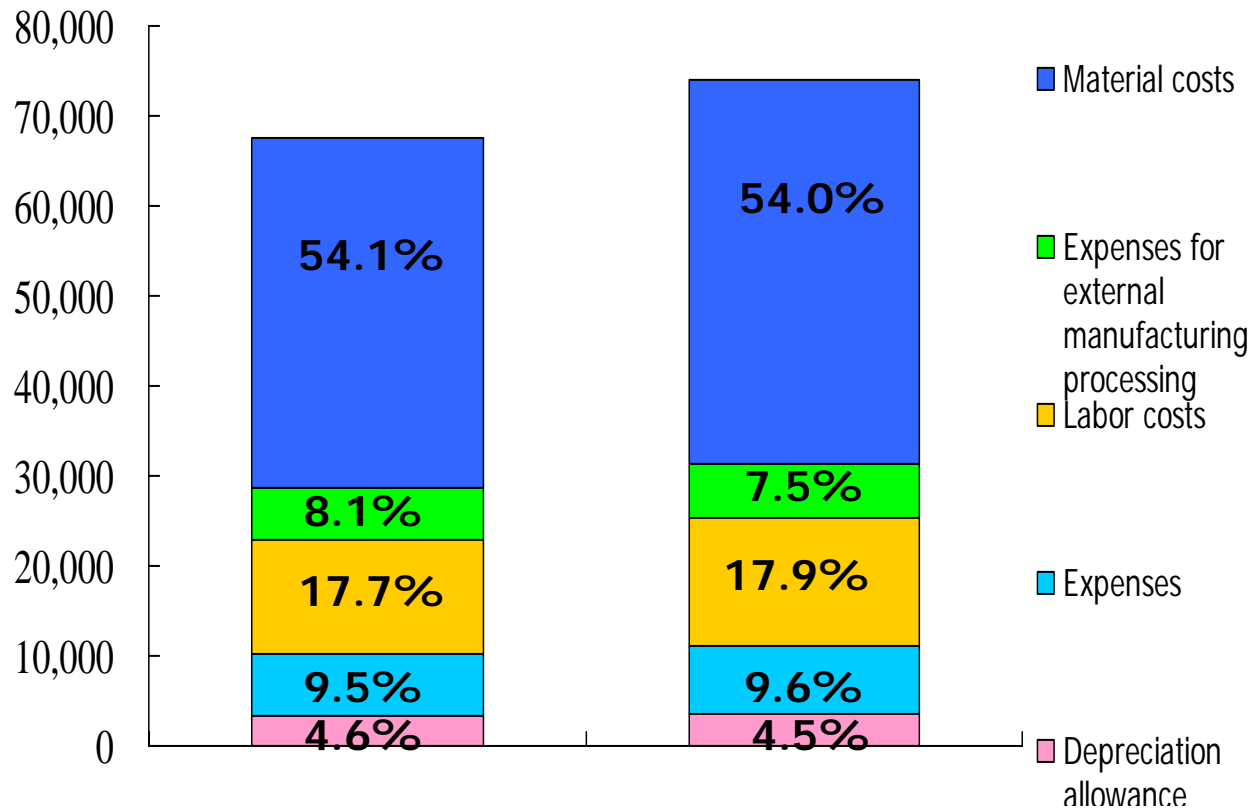
(94.0%)

FY2006

73,908

(93.5%)

(): Ratio to total sales



[(Material costs + Expenses for external manufacturing processing) improved by 0.7%]

62.2%→61.5% About 492 million yen

[Labor costs increased by 0.2%]

Average number of work force of overseas Works

05/4-06/3	8,715 people	} Increased by 1,950 people
06/4-07/3	10,665 people	

Main Works reporting increase

:Huanan, China 1,500 people

:Mexico 450 people

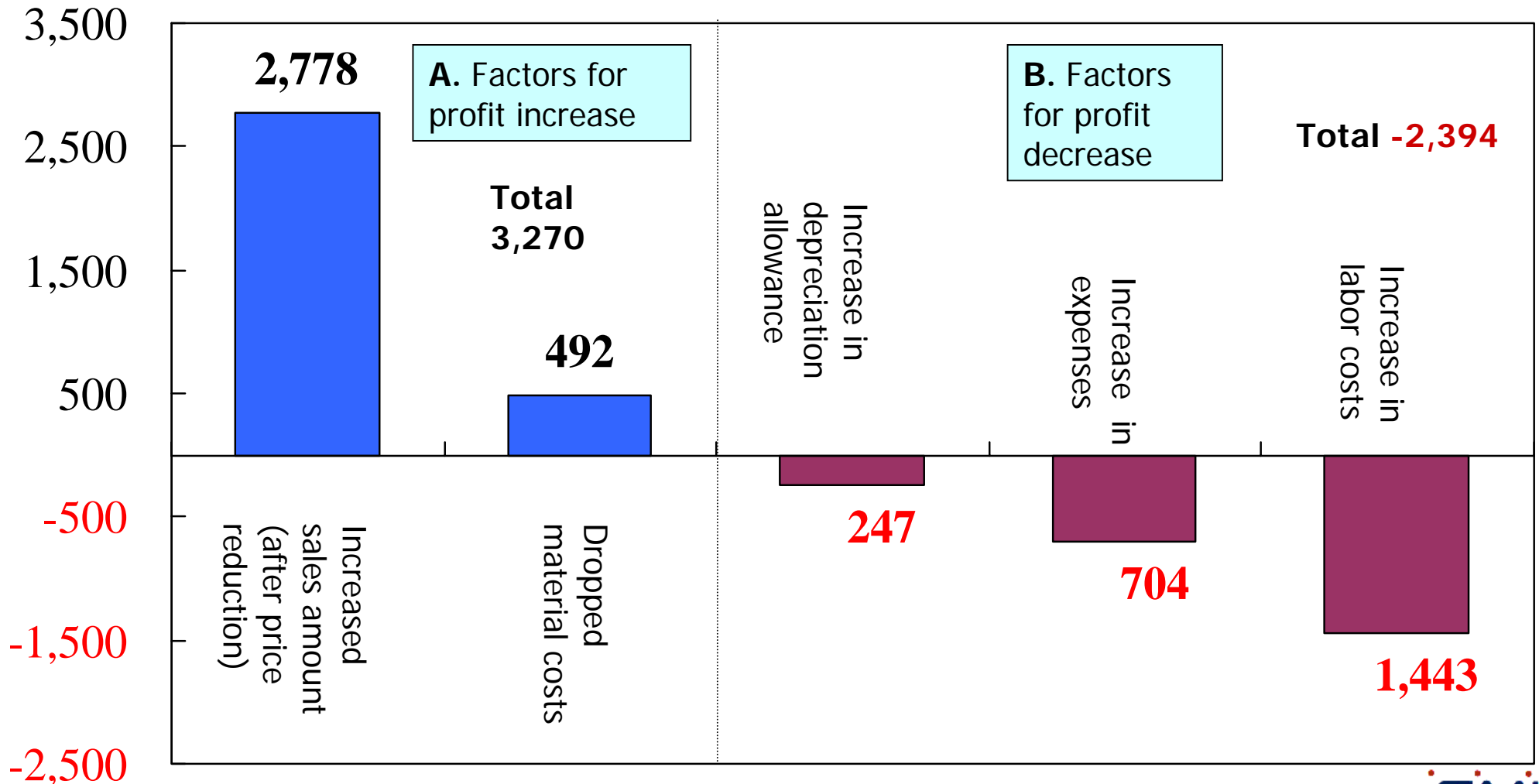
Operating profit
4,290

5,166

Analysis of sales expenses

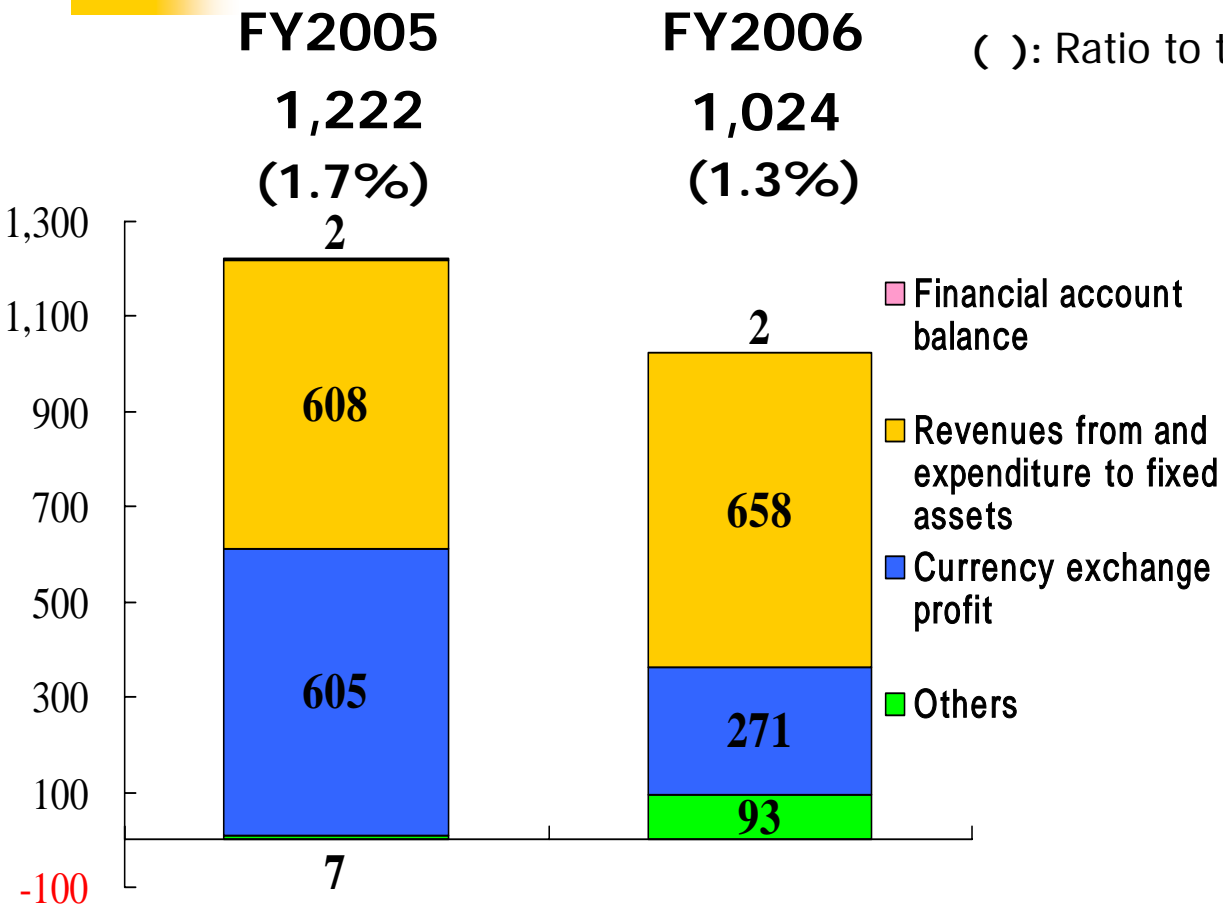
Analysis of factors for increase/decrease of consolidated operating profits [FY 2005 vs. FY 2006]

Net Total
876



Non-operating profit and loss

(Unit : million yen)



(): Ratio to total sales

Comparison to last fiscal term -198 million yen
[Decline in currency exchange profit by 336 million yen]
Yen lower by 10.08 yen last fiscal term
At the end of Mar. 06
[107.39(Mar. 05)-117.47(Mar.06)]
Yen lower by 0.58 yen in the current fiscal term
At the end of Mar. 07
[117.47(Mar.06)-118.05(Mar.07)]

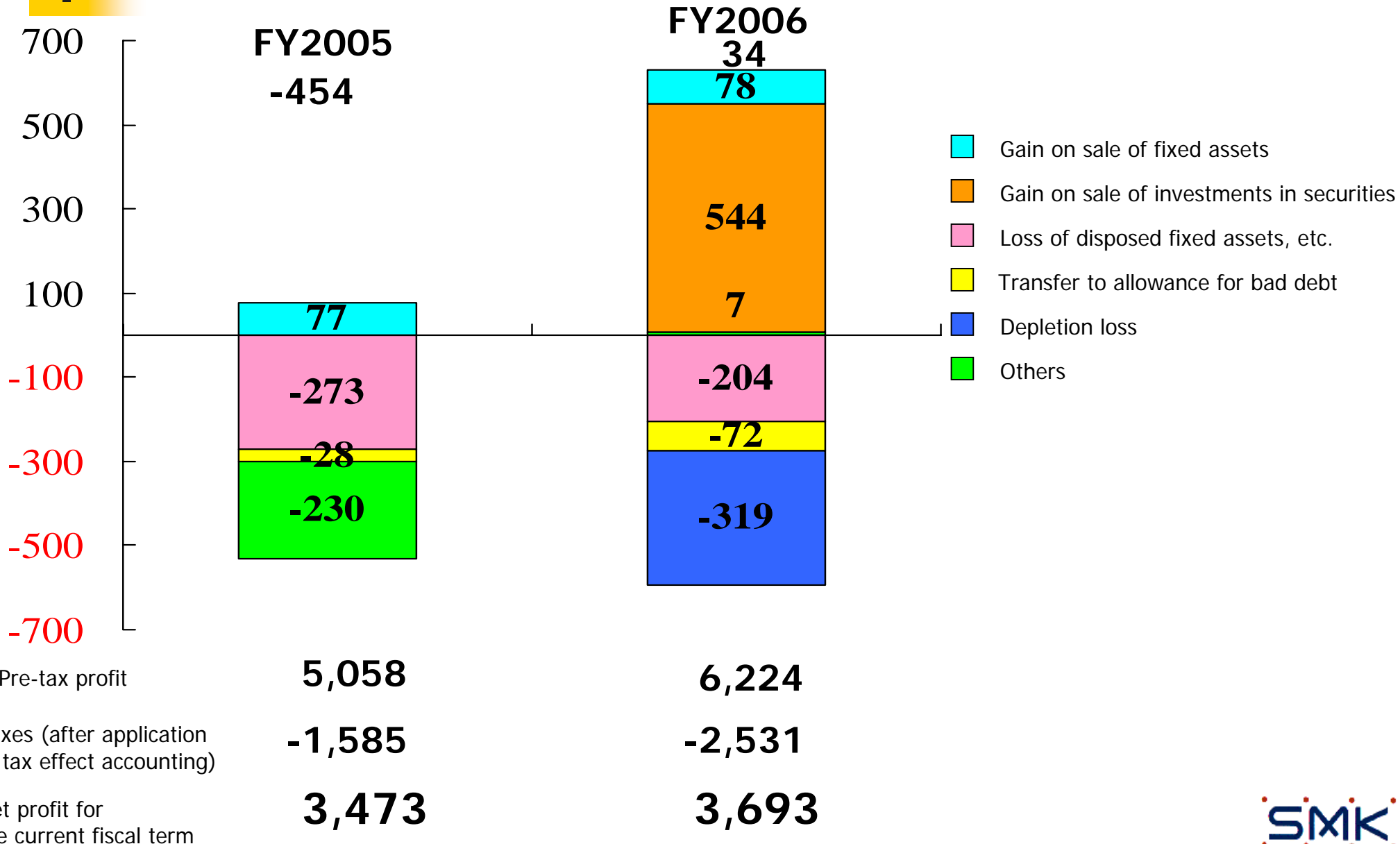
Ordinary profit

5,512

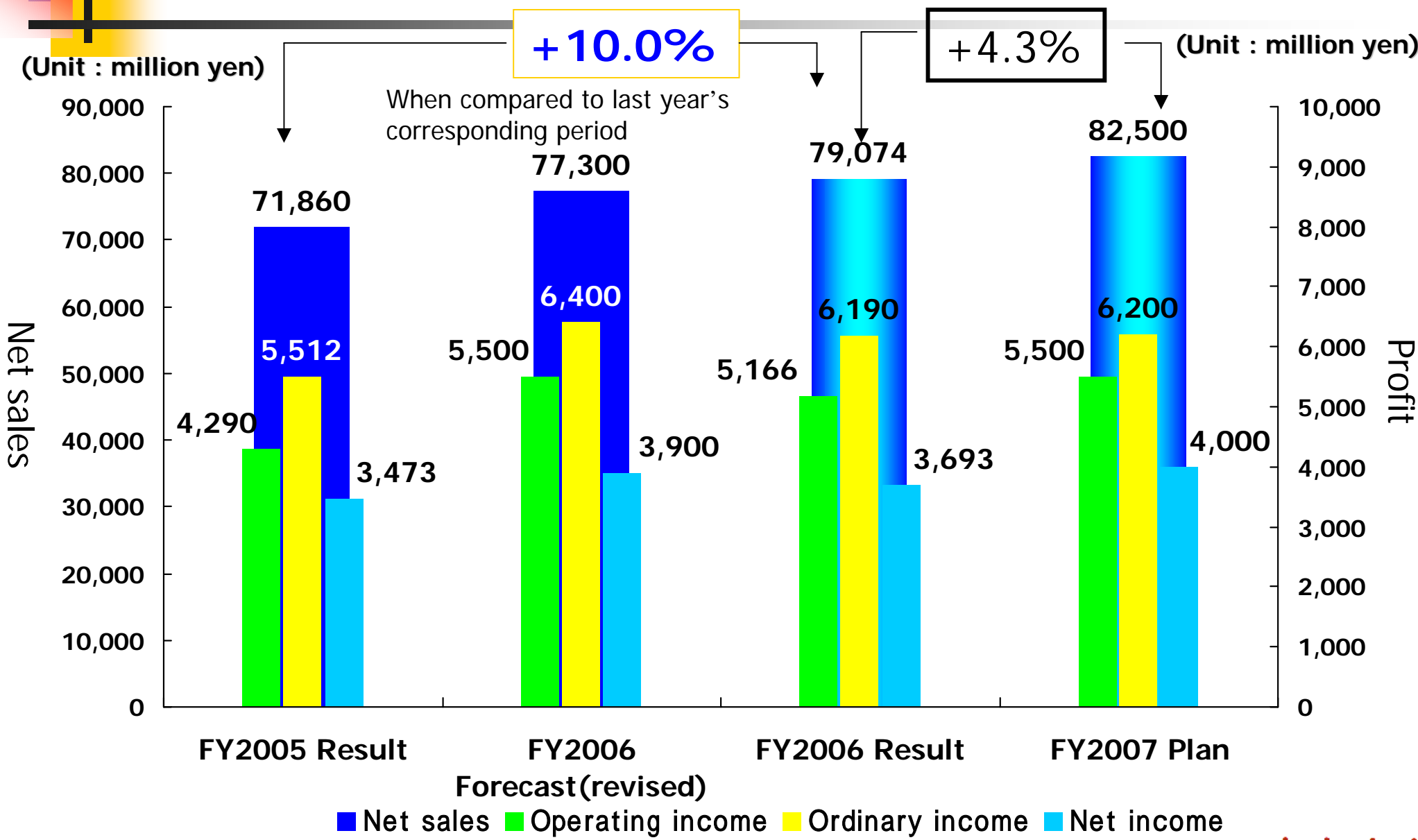
6,190

Extraordinary profit/loss

(Unit : million yen)

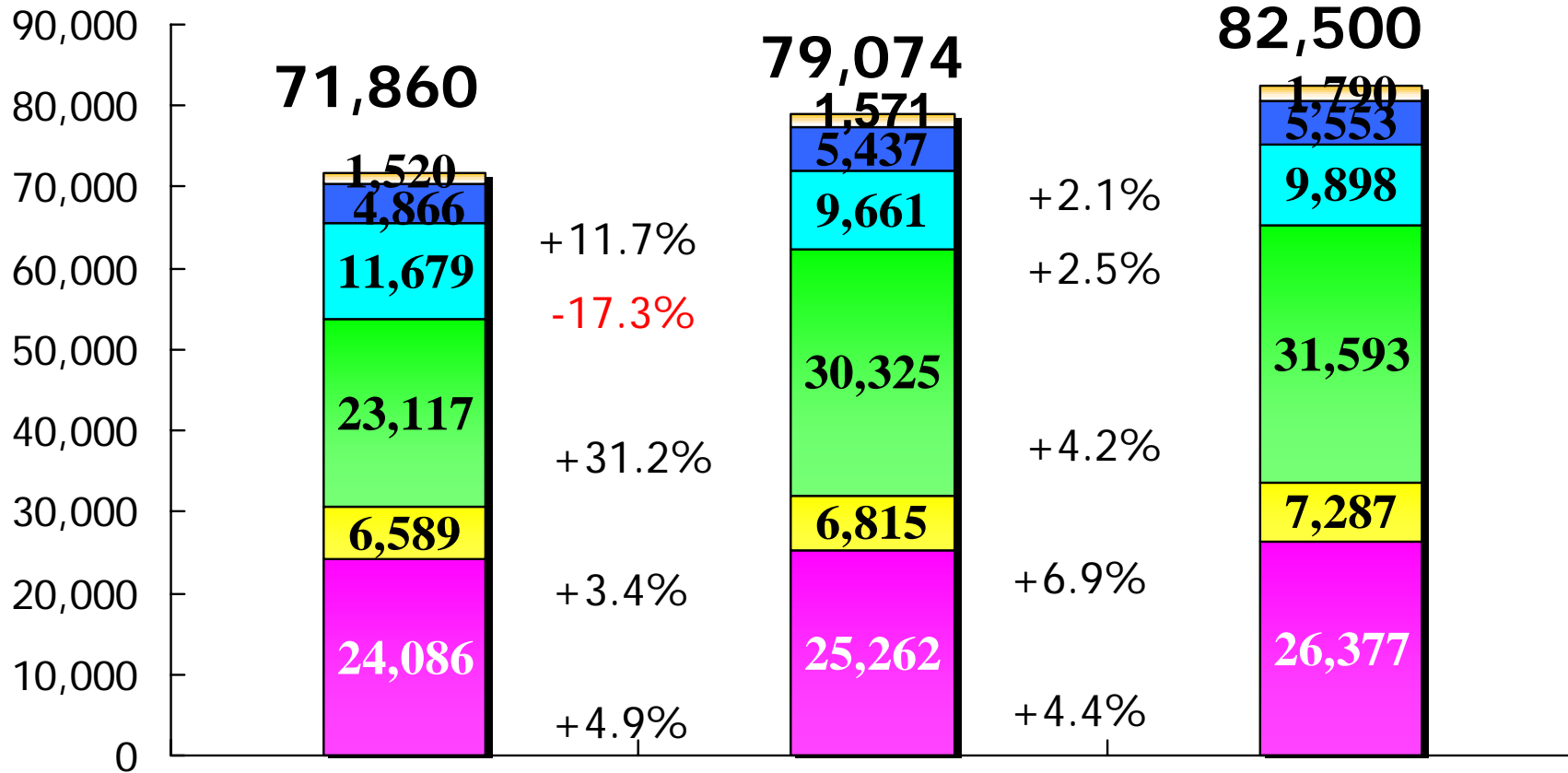


Sales amount, operating and ordinary profits, and profit for the current fiscal term FY2005 ~ FY2007



Market-specific sales amount FY2005 ~ FY2007

Unit: million yen



FY2005 Result

FY2006 Result

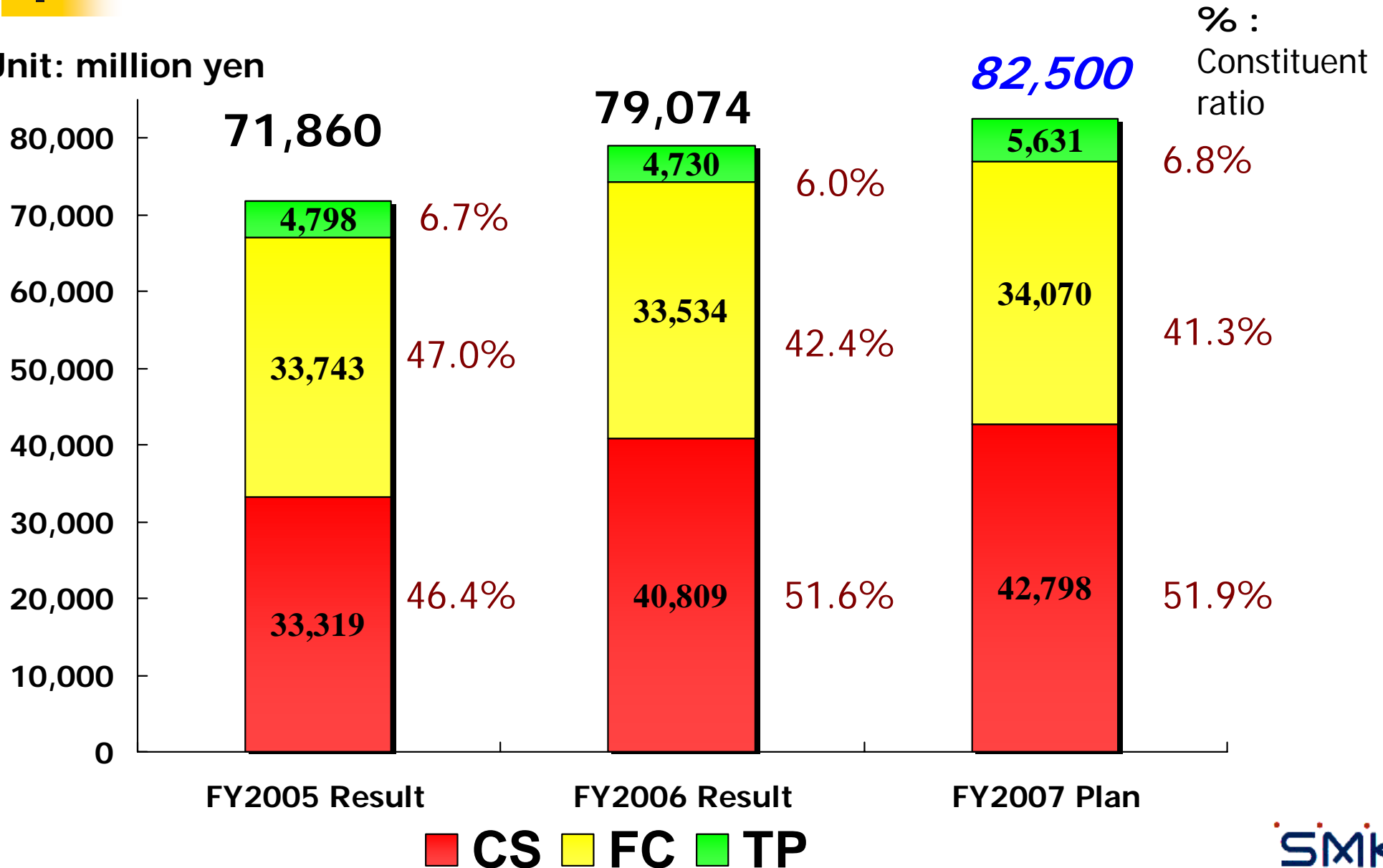
FY2007 Plan

- Audio&Visual
- Telecom.
- Amusement&Appliance

- Car electronics
- Computer
- Others

FY2005 ~ FY2007

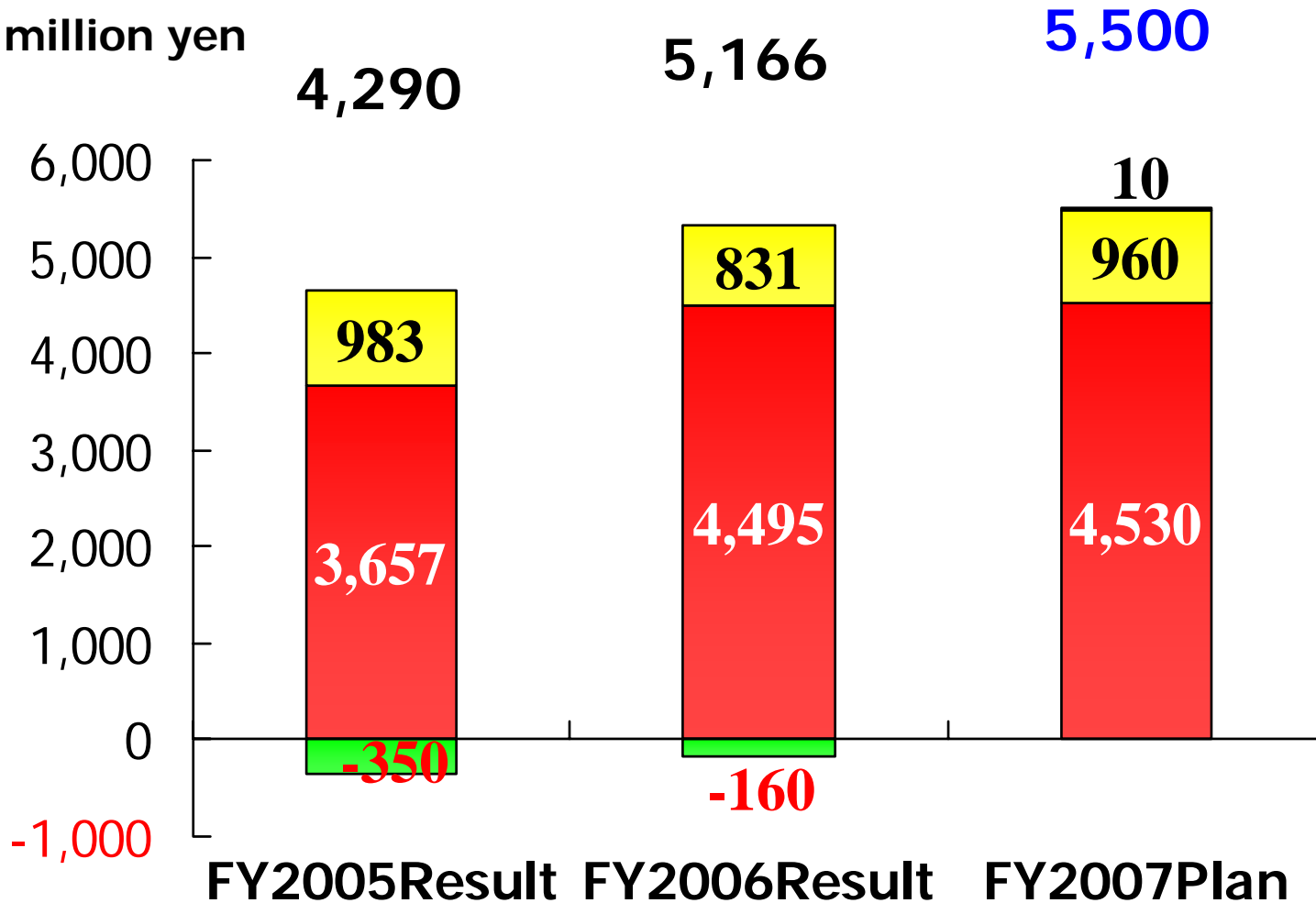
Unit: million yen



Reference: Division-specific operating profit (consolidated)^{10/43}

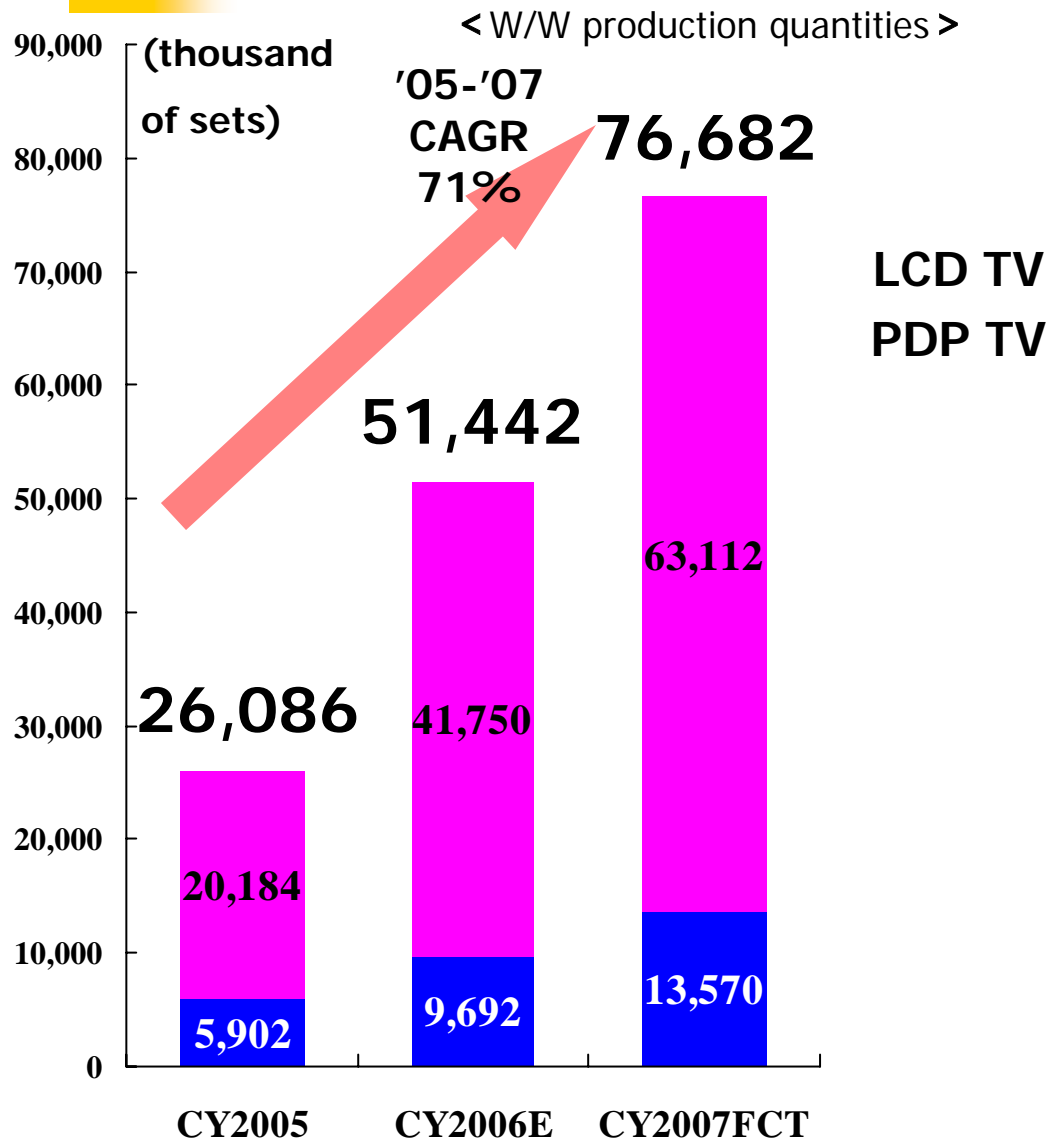
FY2005 ~ FY2007

Unit: million yen



CS (Connector, Jack) **FC** (Switch, Remote Control, Unit, Module) **TP** (Touch panel)

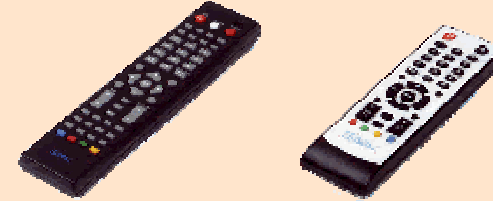
< Trends of major markets > Flat Panel TV LCD (10 inches and over) and PDP TVs



Source: JEITA

< SMK's action >

Intensification and expansion of remote control business

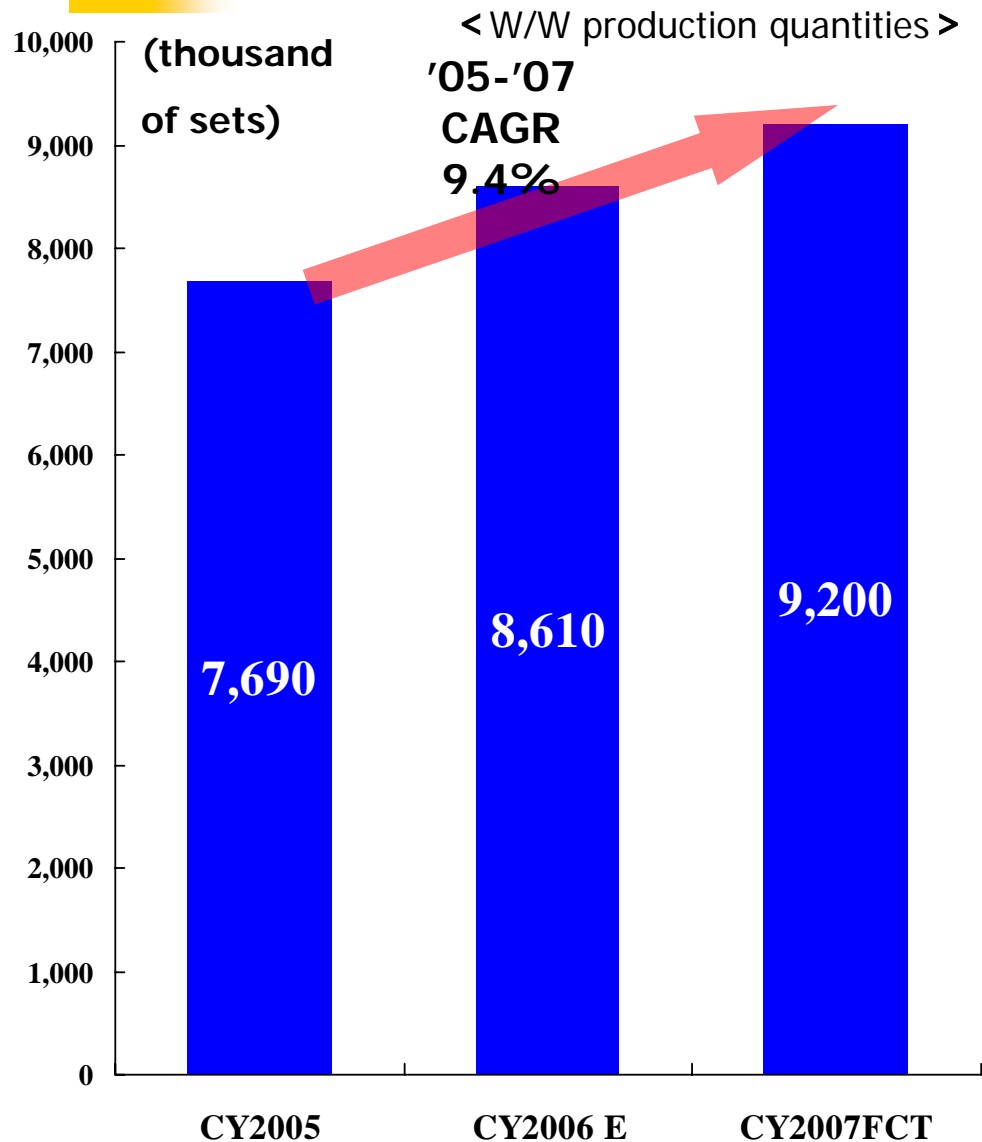


Optimization of product line-up of and intensified marketing activity for FPC and HDMI connectors



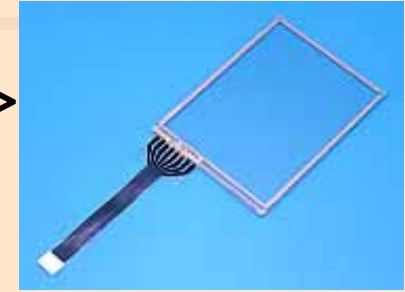
Solid follow-up on the central and eastern European markets where production is expanding

Business expansion with Taiwanese and Chinese manufacturers



Source: JEITA

< SMK's action >

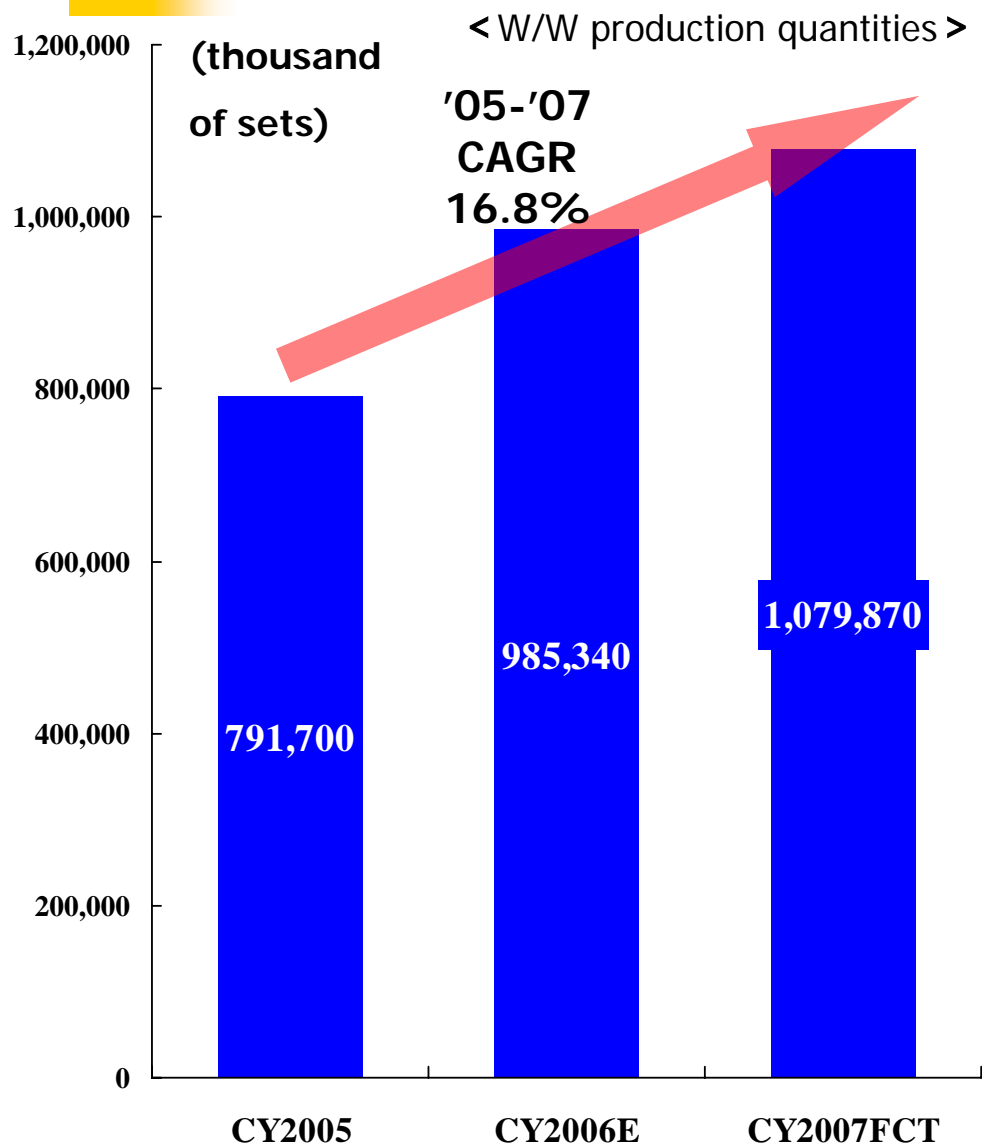


Sustainment and expansion of touch panel business

- Expansion of connector sales
 - Sales expansion of connectors for in-vehicle cameras
 - Development and expanded sales of connectors for reception of terrestrial digital broadcasting

Entry into the overseas market for portable and in-vehicle navigation equipment





Source: JEITA

< SMK's action >



Expanded entry of orders received from major overseas manufacturers

Development of interface connectors, internal connectors and RF parts for ever thinner and more functional terminal equipment

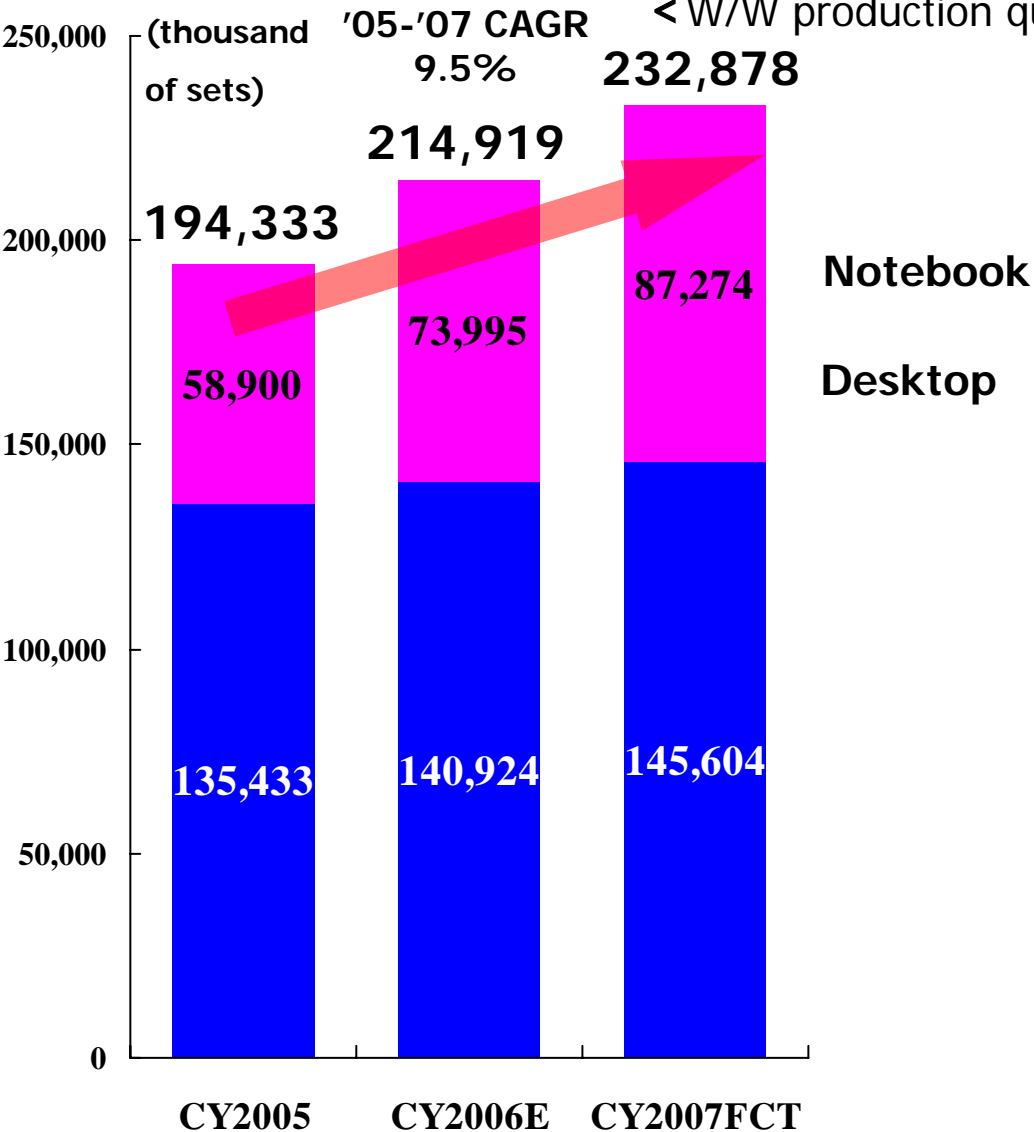
Intensified proposal making of Bluetooth™ products, earphone cables and power circuit



Personal Computer (Desktop & Notebook PCs)

< Trends of major markets >

< W/W production quantities >



Source: JEITA

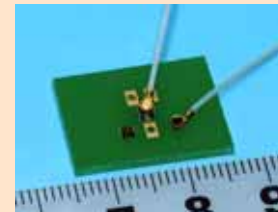
< SMK's action >



Marketing of Windows Vista-compatible remote controls and light receivers

Increased sales of Express card slot-compatible remote controls and development of small light receivers

Enhanced marketing of coaxial connectors and power connectors for notebook PCs



1. Competition and pricing trends (prices and costs)
2. Risk (economic, political and social) on spreading into overseas countries
3. Fluctuation of US\$ exchange rate (SMK's budget rate: 115 yen/\$)
4. Movement of major markets and customers (cellular phones, A/V equipment and automobiles)
5. Product development capability, speed and intellectual properties
6. Occurrence of major quality and environmental issues
7. Natural and human-originating calamities

1. Three challenges

- * Enhancement of SMK's brand recognition
- * Quality improvement by TN (transnational) ZD activities
- * Another try for creation of better quality products,
“Only conscientious parts can build good equipment”

2. Turn-around of red-ink business into black earliest possible

3. Efforts for achievement of our middle term business plan

*** ROA 13%**

*** ROE 15%**

* Annual dividend of 25% to 30% dividend payout ratio

4. Environmental corporate management

* RoHS Directive and Chinese regulation in respect to its own RoHS

* Publication of environmental reports

5. CSR management

* Compliance with the Japanese version of the SOX Act

The 7th middle-term business plan

17/43

Slogan

Creating an exciting future

Vision

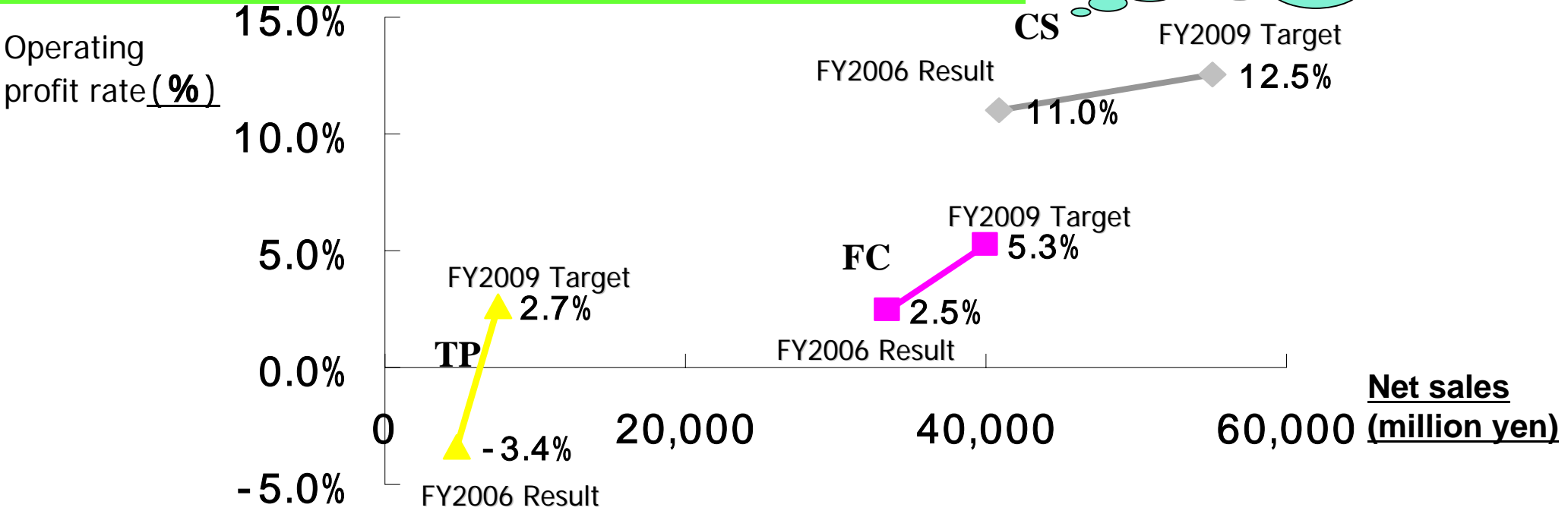
1. Realization of sales growth accompanying reasonable profits
2. Build-up of value creation models sustaining growth
3. Fostering company culture leading to proactive action

Corporate target figures

	FY2006 Result	FY2009 Target
Net sales	791 million yen	1,000million yen
Ratio of operating income to net sales	6.5%	10%
ROA	9.8%	13%
ROE	11.0%	15%

Realization by each Division of growth accompanying reasonable profits

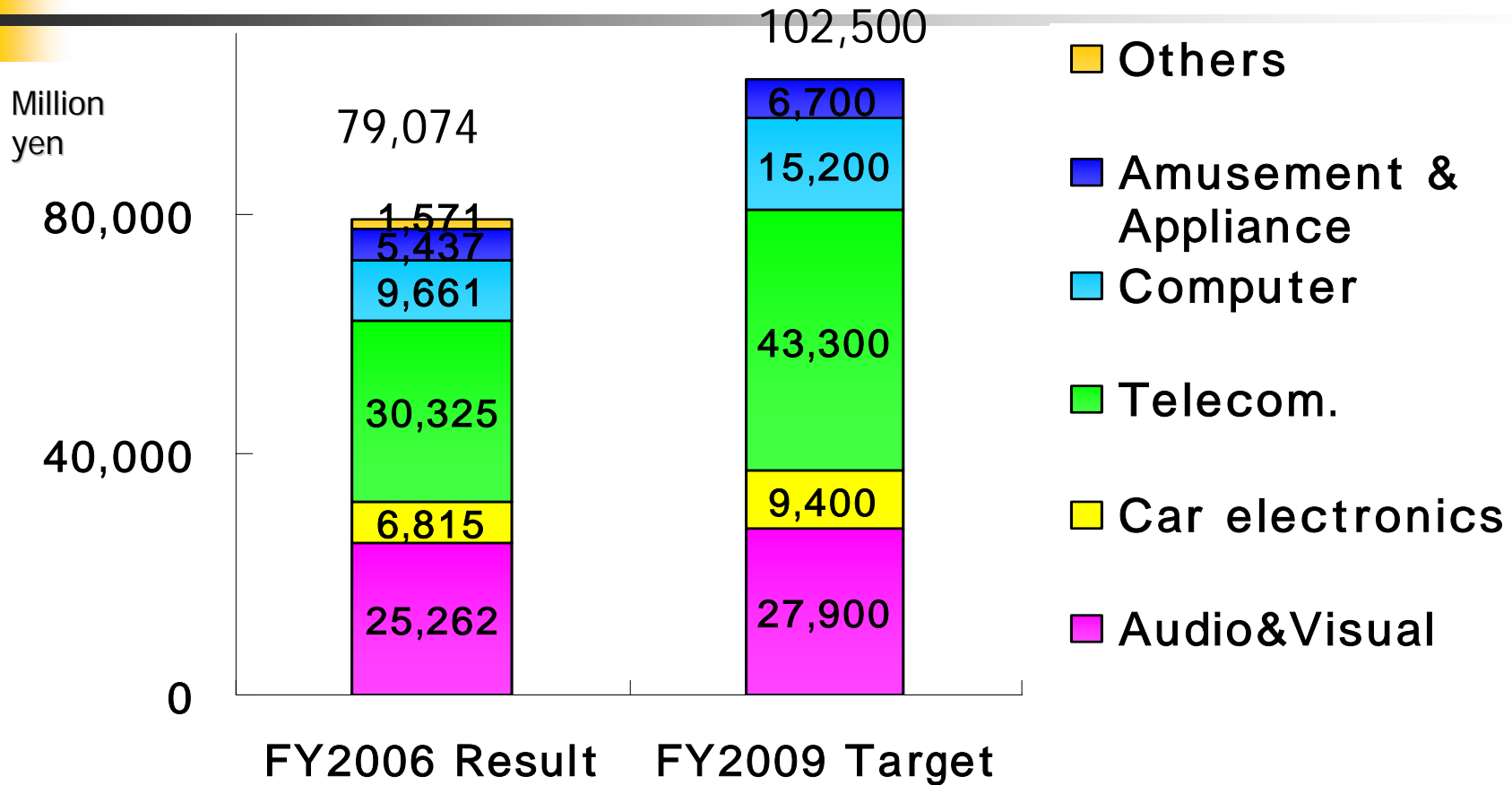
The core of growth based on our 7th Middle Term Business Plan



Capital investment : 13.3 billion yen during FY04 ~ FY06 to 18 billion yen during FY07 ~ FY09

- CS** Expansion of connector production lines, lay-out of a factory integrated for connector production (from components through assembly) and new product development
- FC** Expansion of switch business, establishment of a new factory in China or expansion of the Philippines factory, and new product development
- TP** Construction of a new facility in the Philippines, renovation and buildup of production lines/improvement of clean-room environment, and new product development

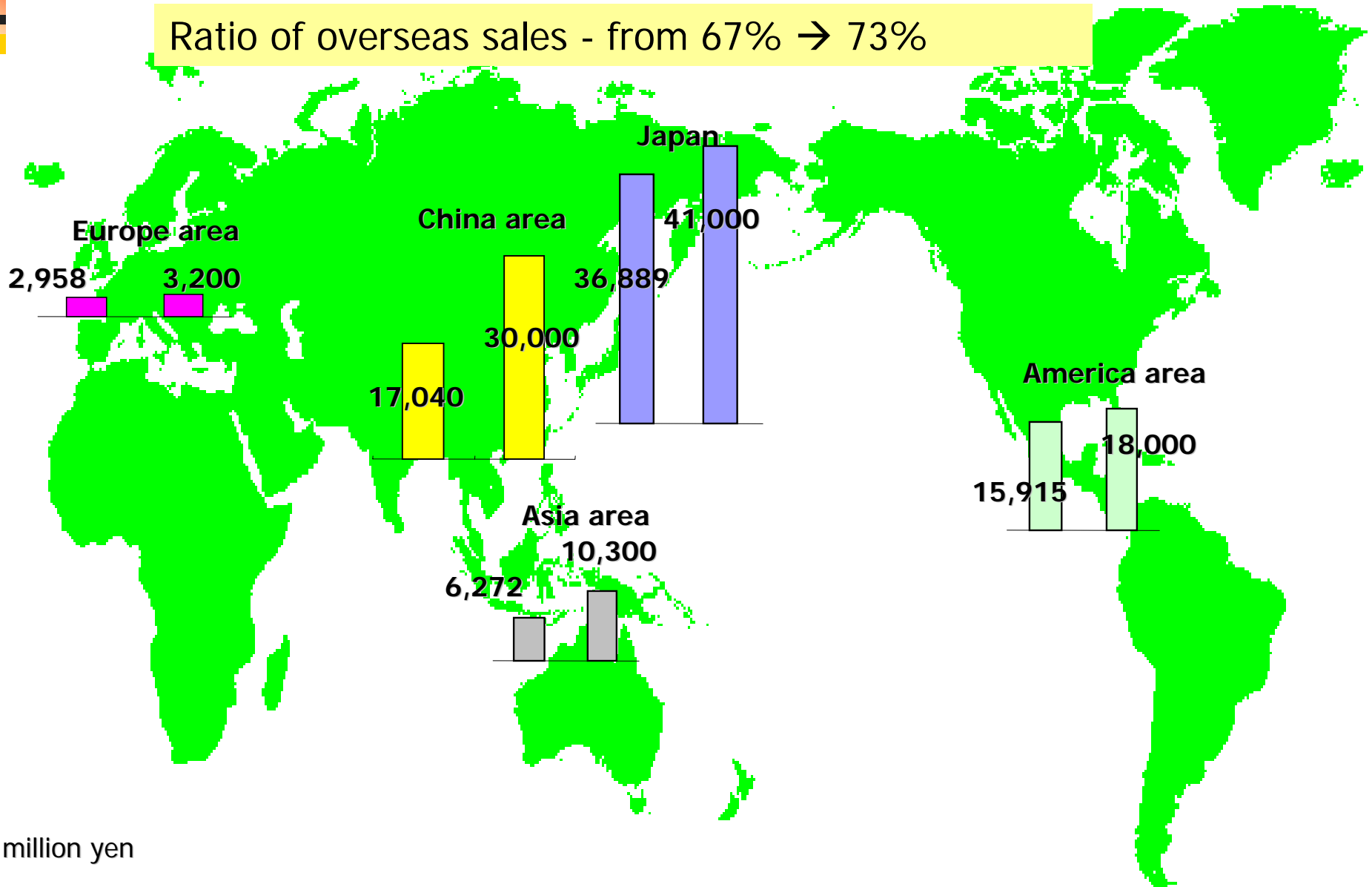
<Consolidated> Market-specific sales targets



Middle term strategic markets => Digital AV, IT and automotive electronics products

- **CS Div.:** Cellular phones, digital AV and automotive products
- **FC Div.:** Cellular phones, digital AV products, PCs and automotive products
- **TP Div.:** Vehicular navigation equipment, SmartPhone, and POS equipment/ATMs/ticket vending machines

Ratio of overseas sales - from 67% → 73%

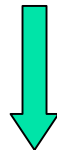


Unit: million yen

Strengthening of marketing power

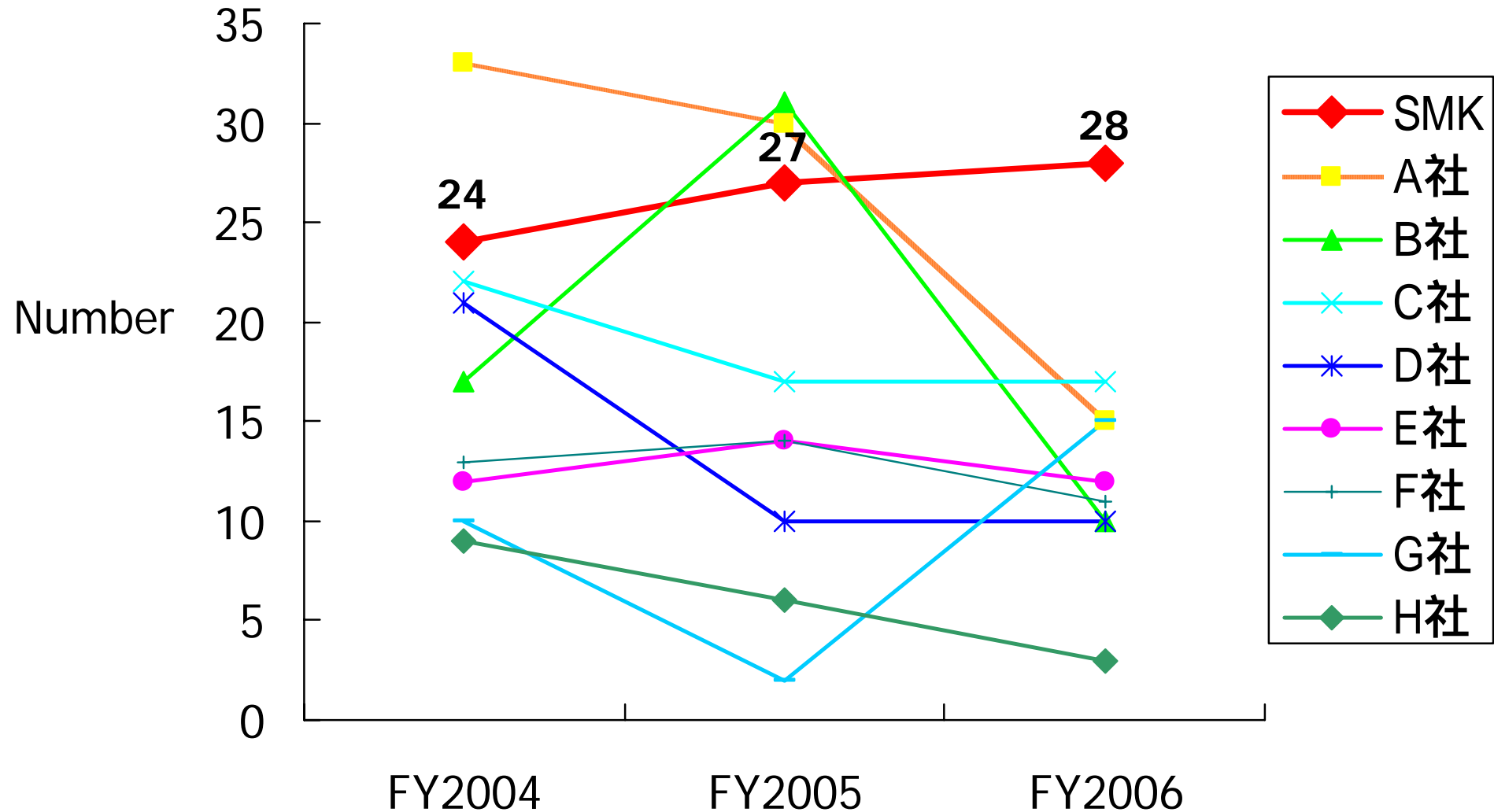


Finding new drivers with potential for growth



Strengthening basic supporting technology - concentration in marketing of our standard products -

Number of announcements of new products (of part manufacturers, annual bases)



Source: New product information on respective companies' home pages (from Apr. to Mar.)

SMK supports the "Beijing-Paris Rally".



*Supports "SMK Special" making entry in the 3rd "Beijing Paris-Rally" (the 1st race conducted in 1907) (Our entry is a 1916 Lancia Theta. All 134 entries being antique cars)

*Starting on May 27, 2007 from Beijing to arrive in Paris on June 30, for total travel of 12,200 km

*For uplift of SMK brand image

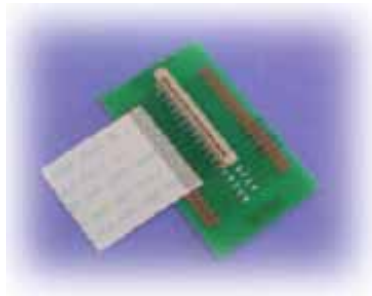


CS Division

CS= Connection System

Major products : Connectors/Jacks

Connectors



FPC connectors



I/O connectors



Card connectors

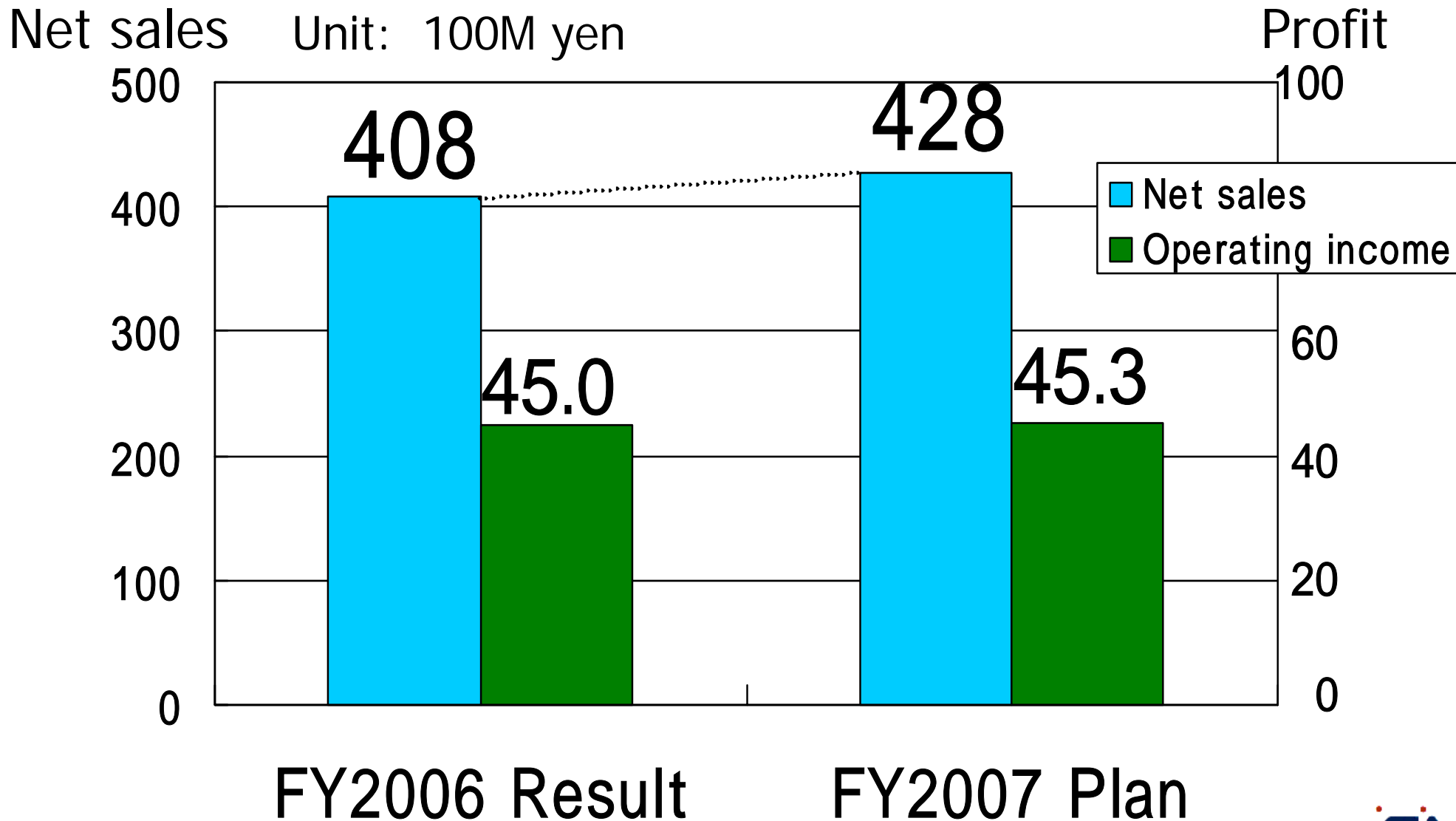
Jacks



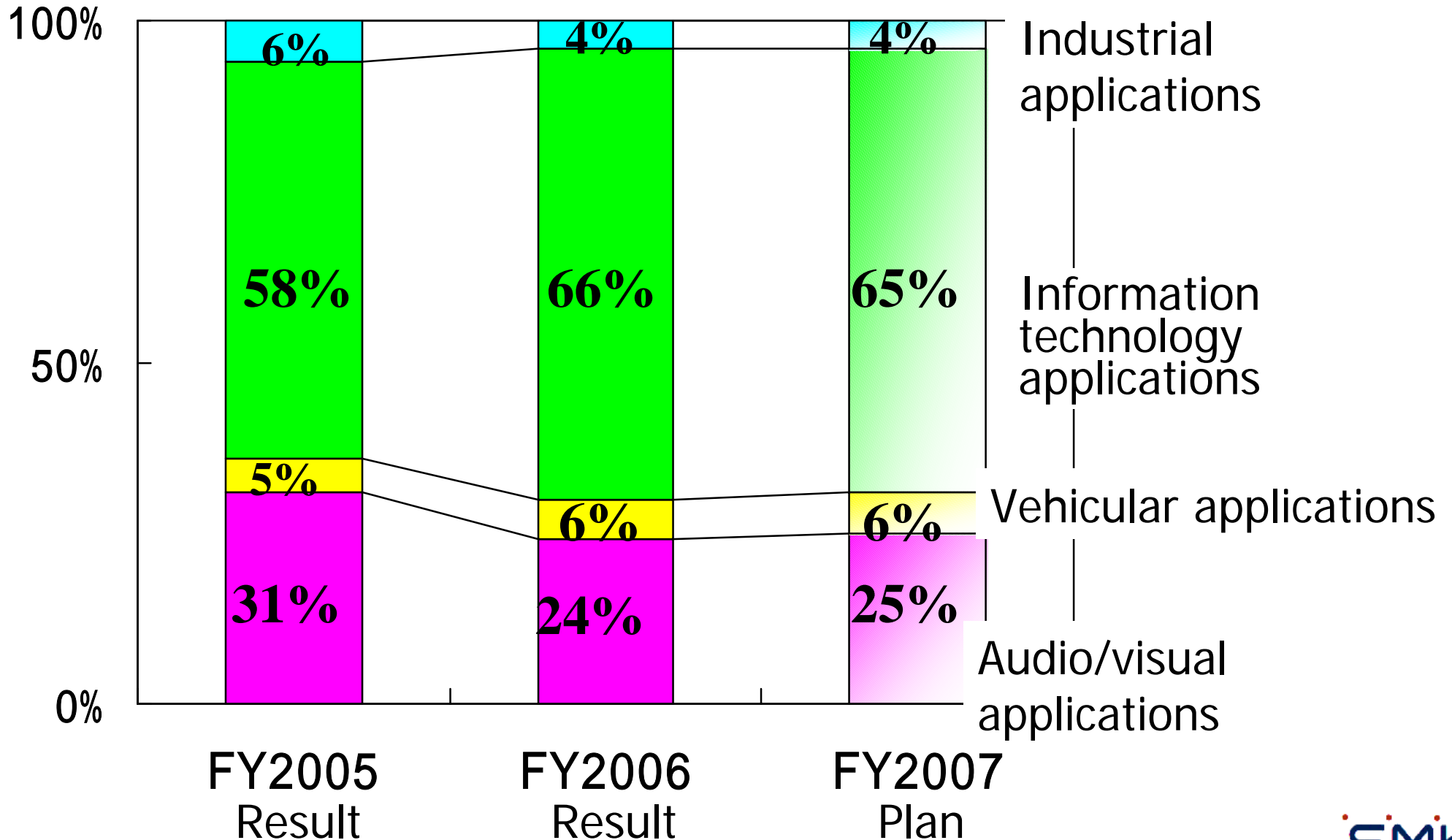
Speaker terminals



Power jacks and headphone jacks

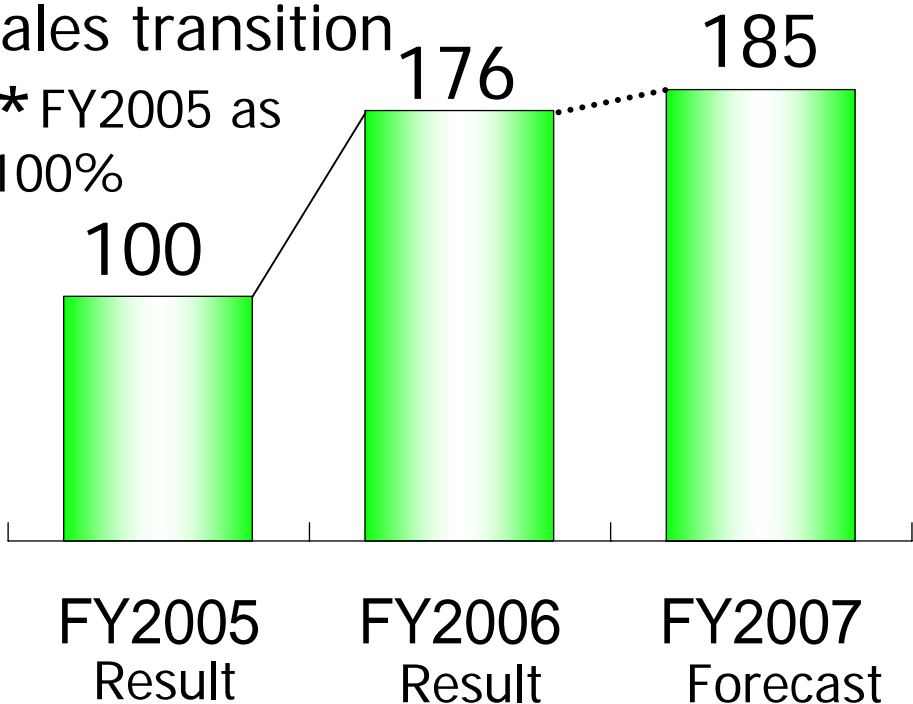


CS Division Transition of market-specific sales (consolidated)



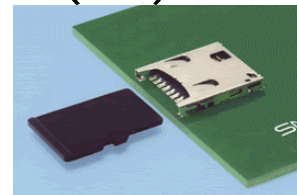
Sales transition

* FY2005 as 100%



Small card connectors for cellular phones

microSD/TransFlash(TM) card connectors



Memory Stick Micro(TM) card connectors



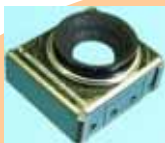
Optimization of product variations

Thinner

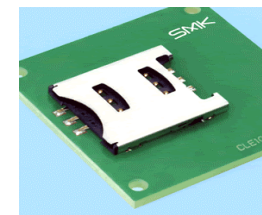
Smaller

Higher functional

Camera connectors



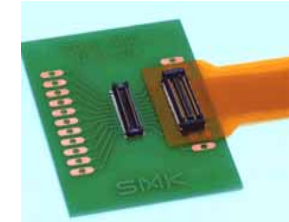
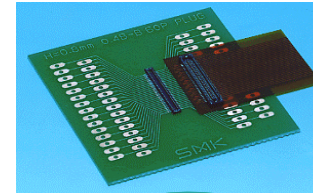
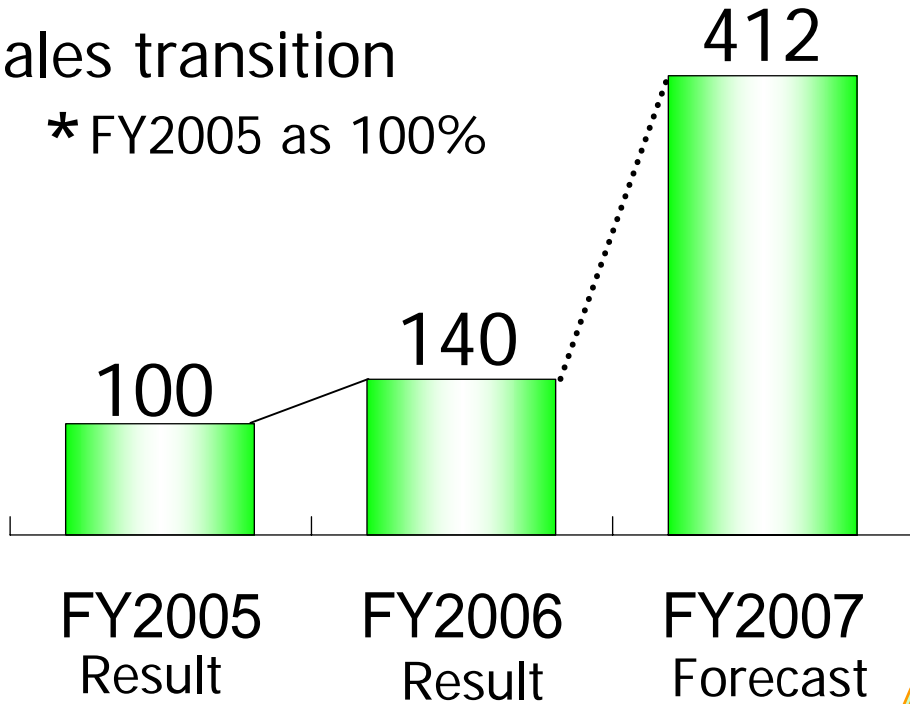
SIM card connector, thinner type



PB-4A(h=0.8mm type)
PB-4B(h=1.2mm type)

Sales transition

* FY2005 as 100%



Target: Most small portable equipment

Proposals for versatile applications

Low in profile /space effective

Shielding technology

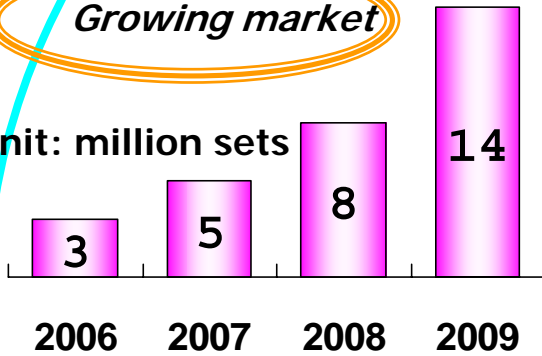


Car electronics

In-vehicle camera connectors

Growing market

Unit: million sets



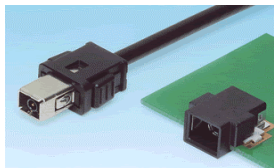
Coaxial connectors

Target:

Vehicular radios and nav. equipment

Target:ETC

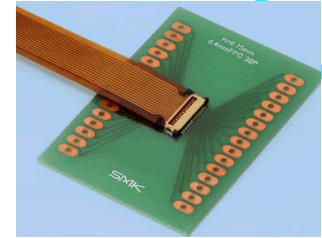
TC-15



VC connectors Twin/flange type

Telecom

0.4 mm spacing FPC connector, h=0.75 mm type



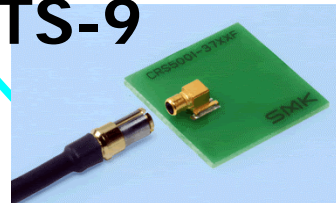
High speed transmission

Shielding technology

Small and low in profile



Coaxial connectors TS-9



Micro USB connectors



CS Division 2007 Policy

1. Promotion of development of designing technologies, products, and production technologies

- Timeliness and speeding up
- Patents and quality

2 . Implementation of business unit- and product model-specific strategies

- More effective investment (general or diverted equipment)
- Promotion of support to overseas Works

3 . Enhancement of overall capability

- Implementation of business units and product model-specific strategy
- Dynamic start [the 7th Middle Term Business Plan]



FC Division

FC=Functional Components

[Major products] : Switches, keyboards, control panels, earphone/microphone combinations, cradles, microphones, remote controls and camera modules

SW (Switch)

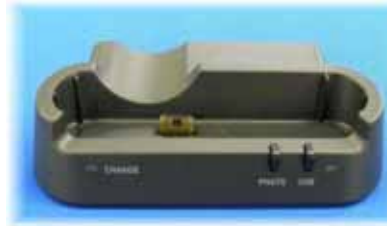


Various types of switches

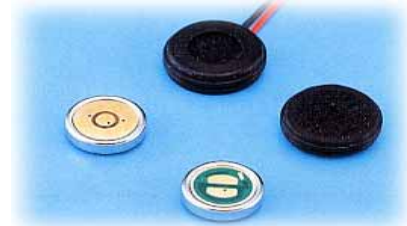
UN (Unit)



Earphone/microphone combinations



Cradles



Electret condenser microphones (ECMs)

RC (Remote Control)



Remote controls



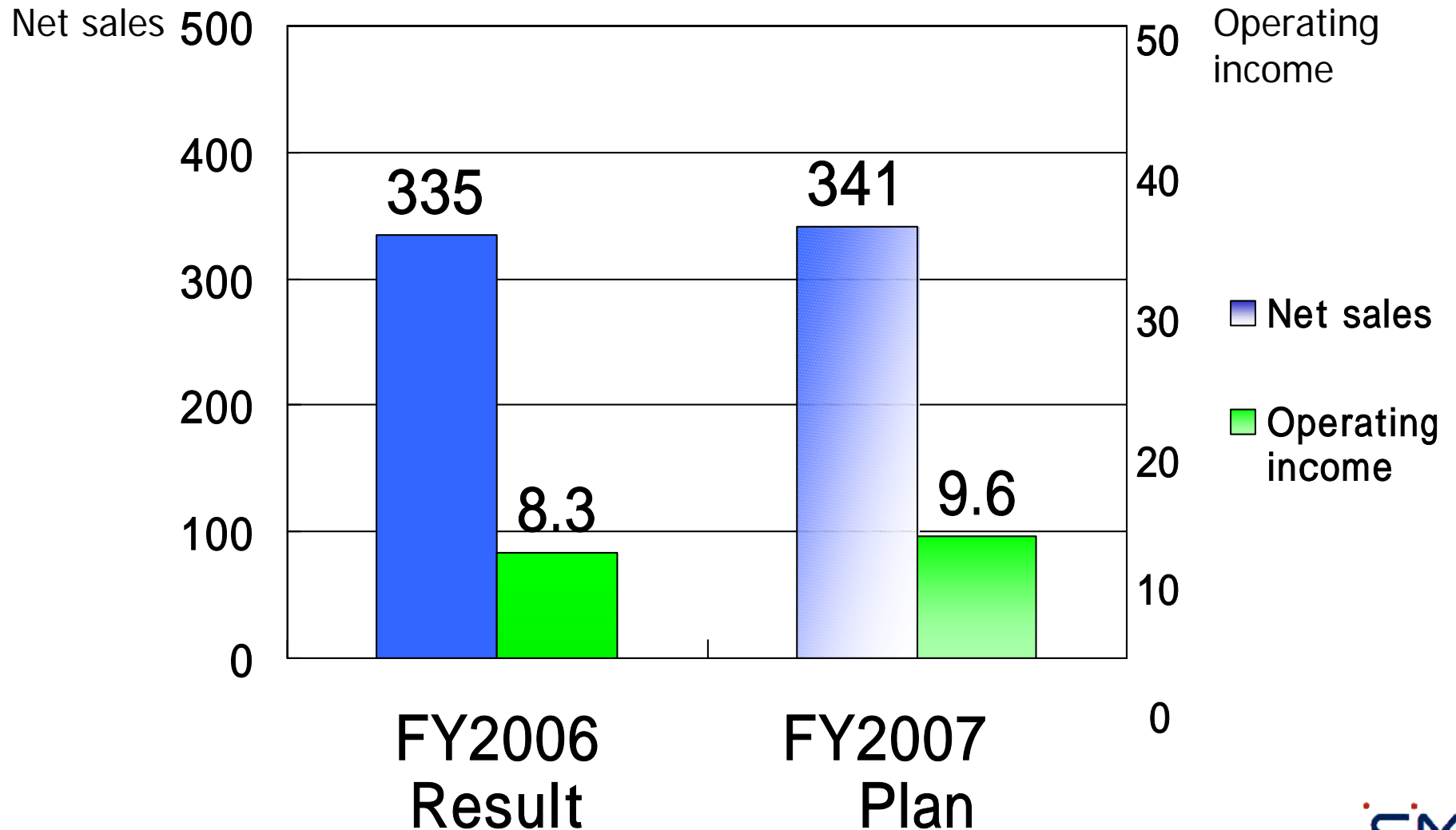
Color intelligent remote controls

MD (Module)

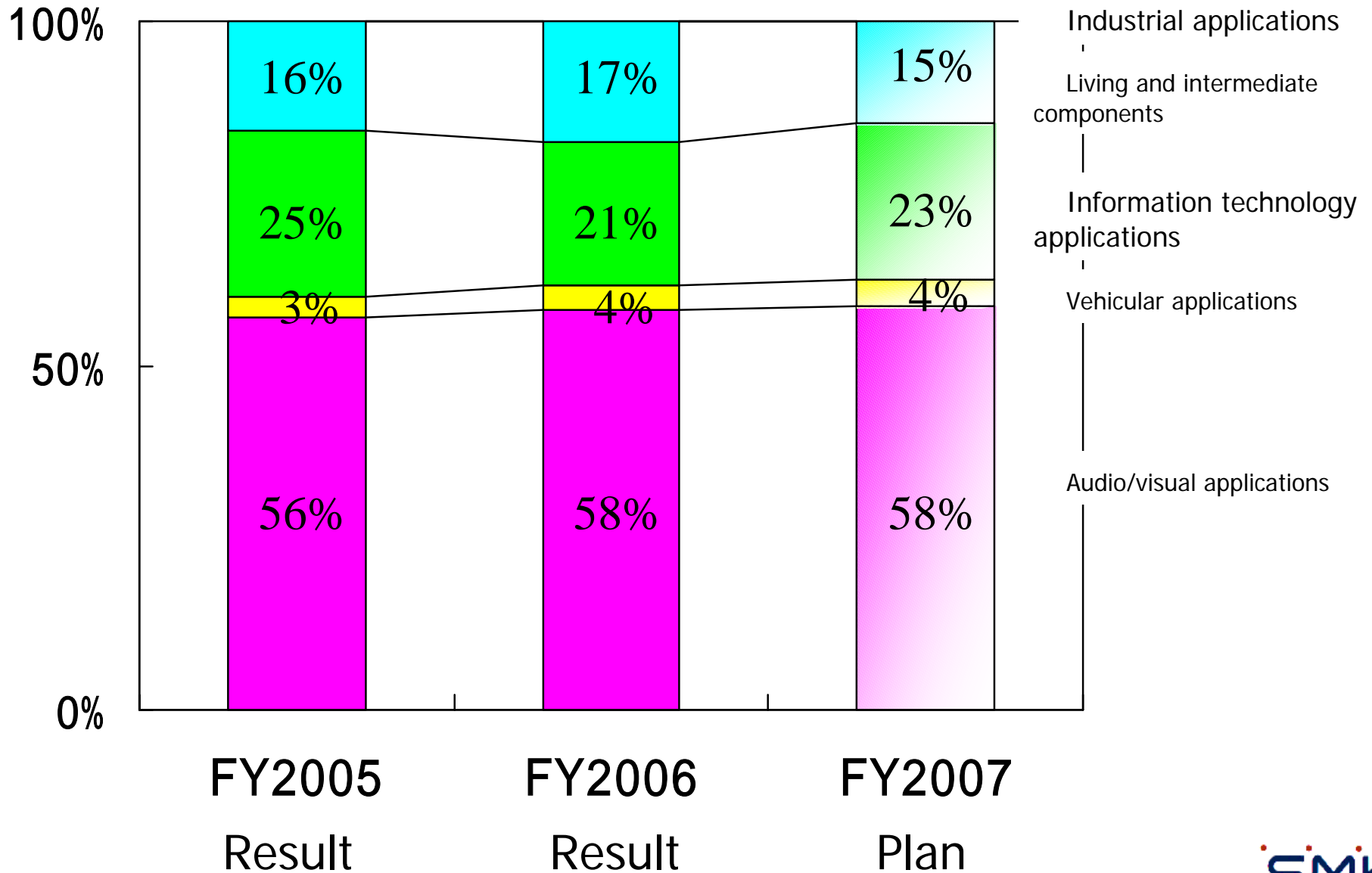


Camera modules

Unit: 100 million yen



FC Division Transition of market-specific sales (consolidated)



FC Division Strategic markets

__ Vehicular application market



Rubber key switches



In-vehicle remote controls (for vehicular nav. and audio equipment)

__ AV market



Multi-function switches



Remote controls for large flat screen TVs



1-seg. broadcast antennas

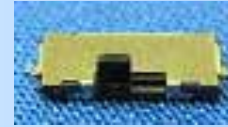
__ Cellular phone market



Small horizontal switches



Detector switches (DSI and DSJ series)



Thin slide switches



Bluetooth earphones



Worldwide AC adapters

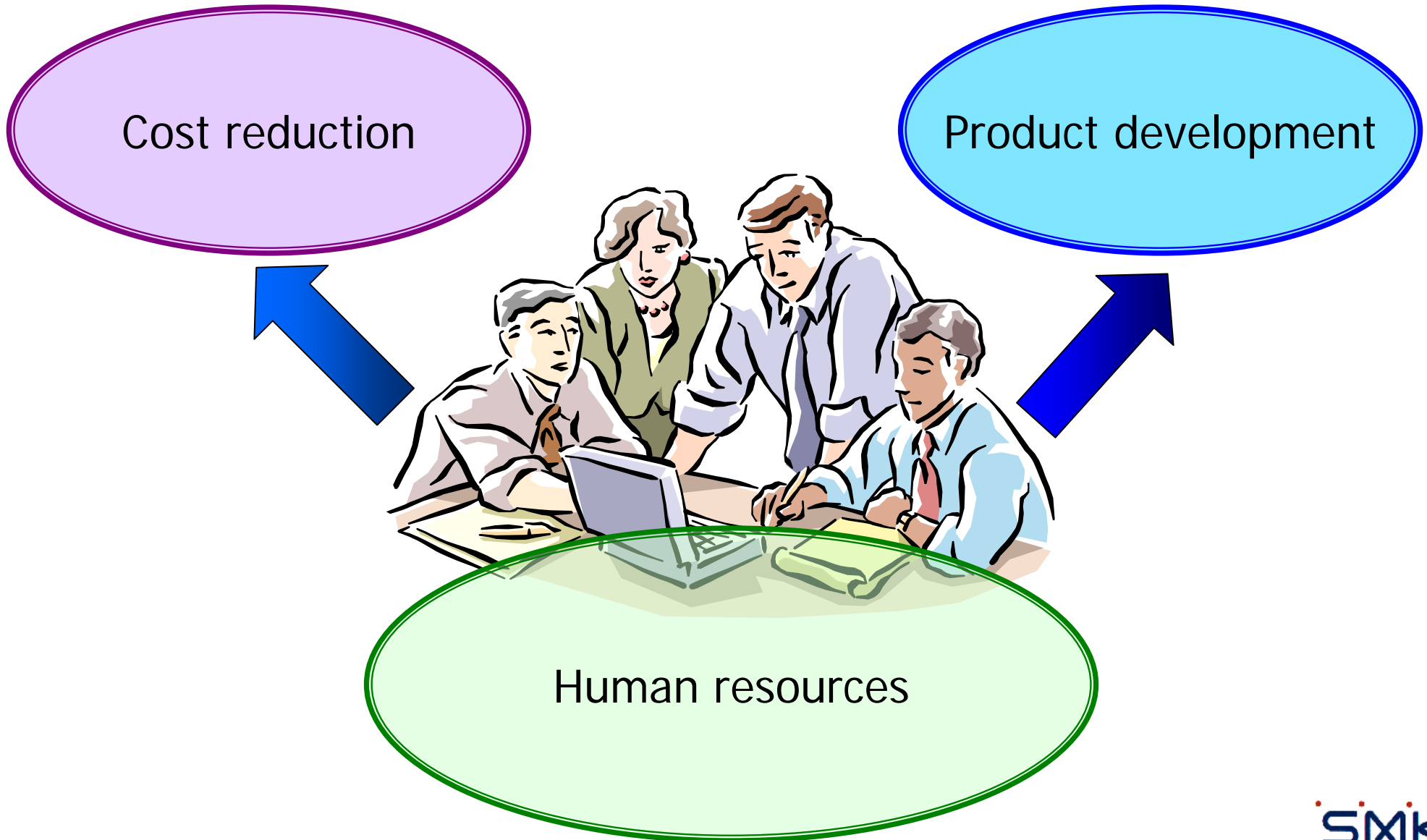


2-dome switches

__ PC market



Remote controls for Window Vista



TP Division

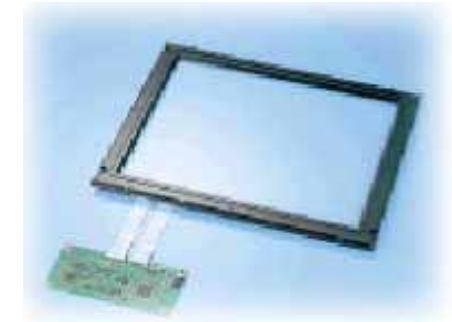
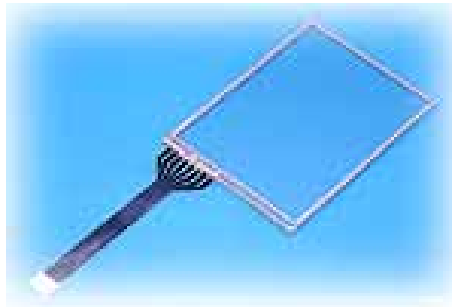
Touch Panel

Major products

SMK

Touch panels

Resistance sensitive system



Optical system

Film/glass structure

- Standard type
- Contamination resistant type
- Antibacterial type
- Reinforced glass type
- High transparency type
- Low reflectance type

Glass/glass structure

- Linear polarization type
- Circular polarization type
- Ultra low reflectance type
- Polarized sunglass type

Film/film structure

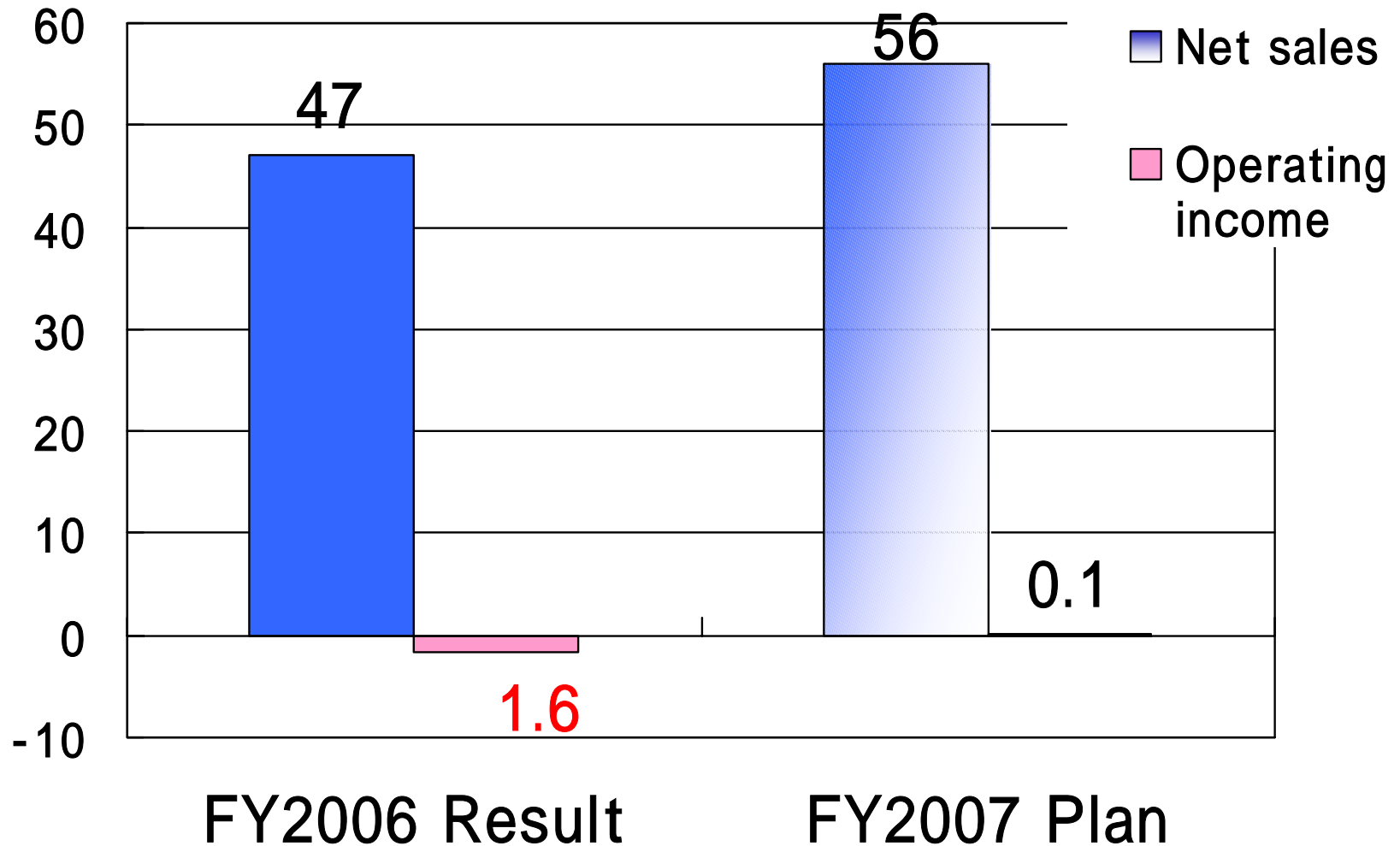
- Standard type
- Linear polarization type
- Circular polarization type

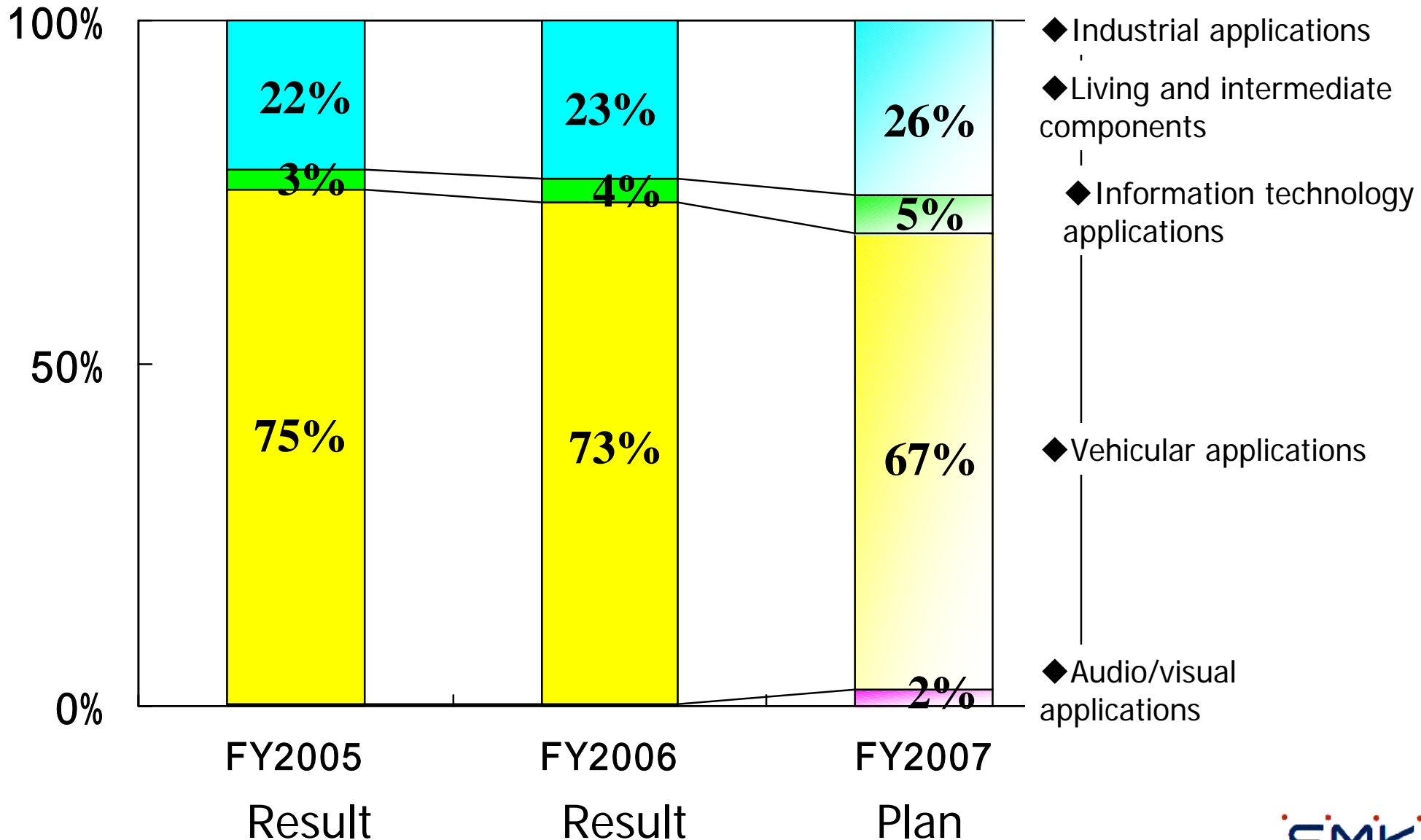
Force-feedback

Glass panel

Acrylic panel

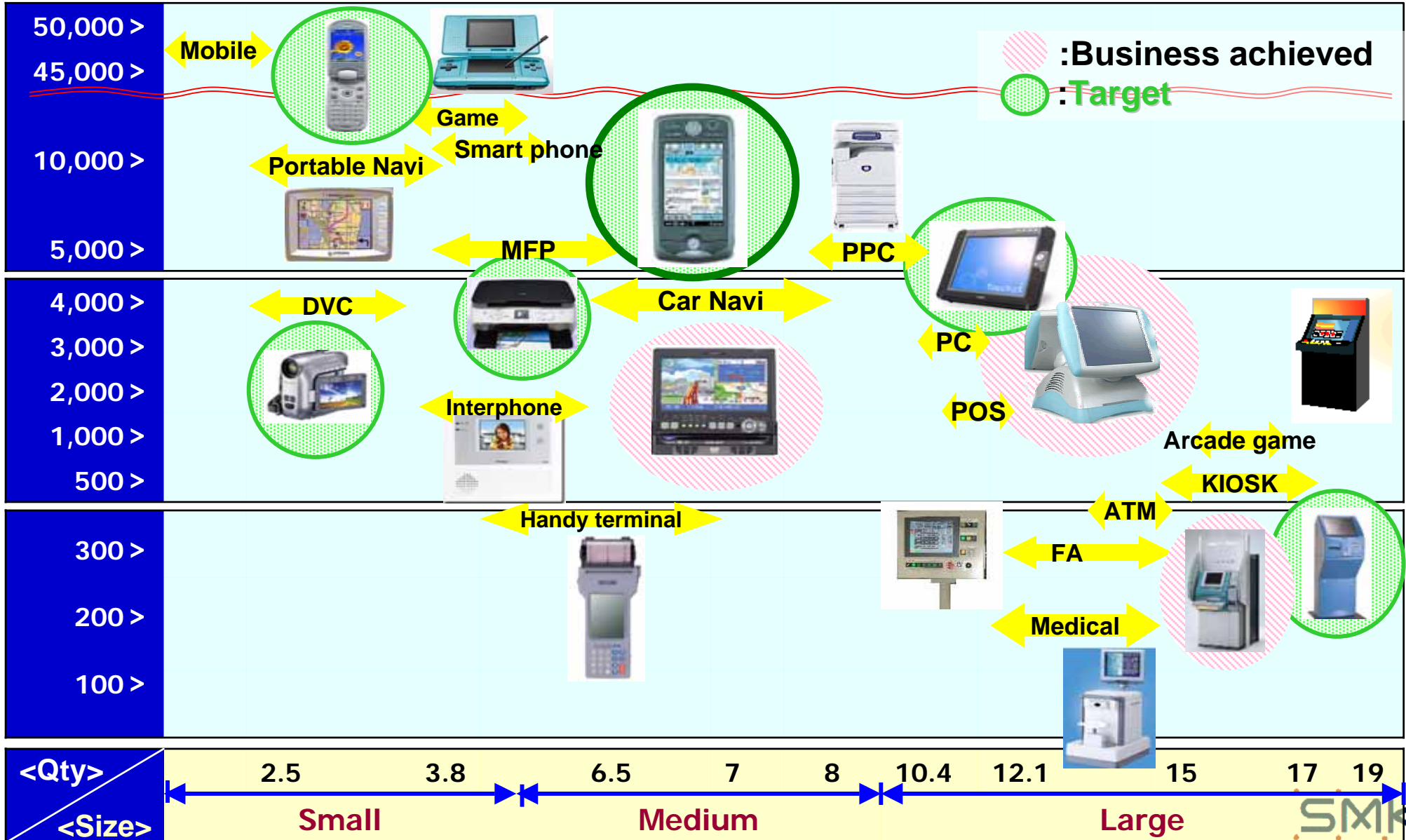
Unit: 100 million yen





TP Division 2007 strategic markets

Unit: K set/Year



FY2007 strategic activity points
Sales increase

1 Intensified marketing of differentiated products

- Glass/glass, and high transparency low reflectance film/glass for in-vehicle applications, force-feedback, and integrated type optical touch panels

2 Marketing in the overseas market

- Glass/glass: Europe and USA
- Film/glass: USA and China
- Optical type: USA and China

3 Expansion of overseas production

- Philippines (SMK-PH) - Labor saving
- China (SMK-DG) - Production of integrated type optical touch panels