

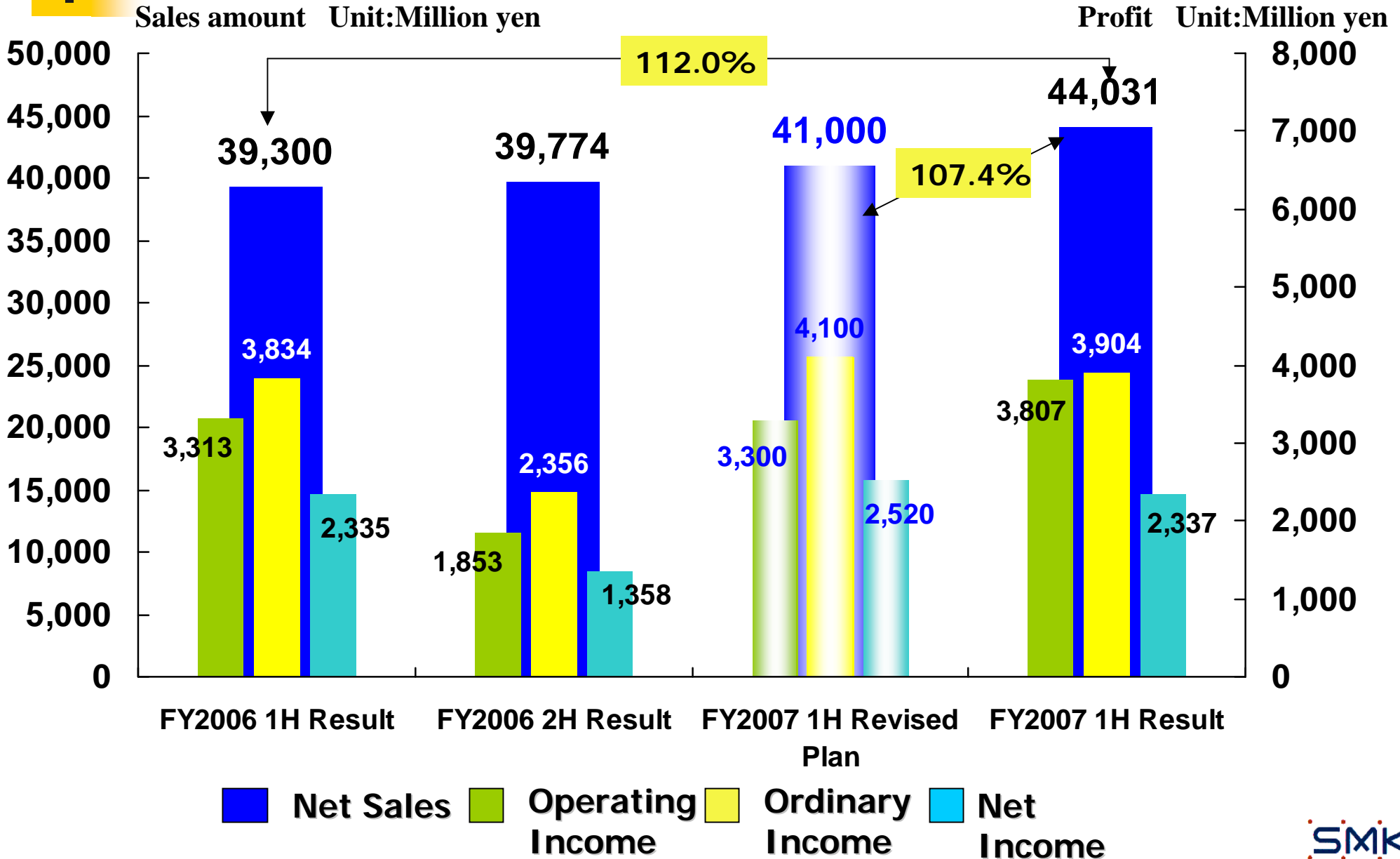
Business Report for FY2007

-From Apr.2007 to Sept.2007-

SMK Corporation

November, 2007

<Consolidated> Midterm Net Sales, Operating Income, Ordinary Income, and Net Income 2/36



<Consolidated> Sales Expenses

**FY2006
1H**

35,987

(91.6%)

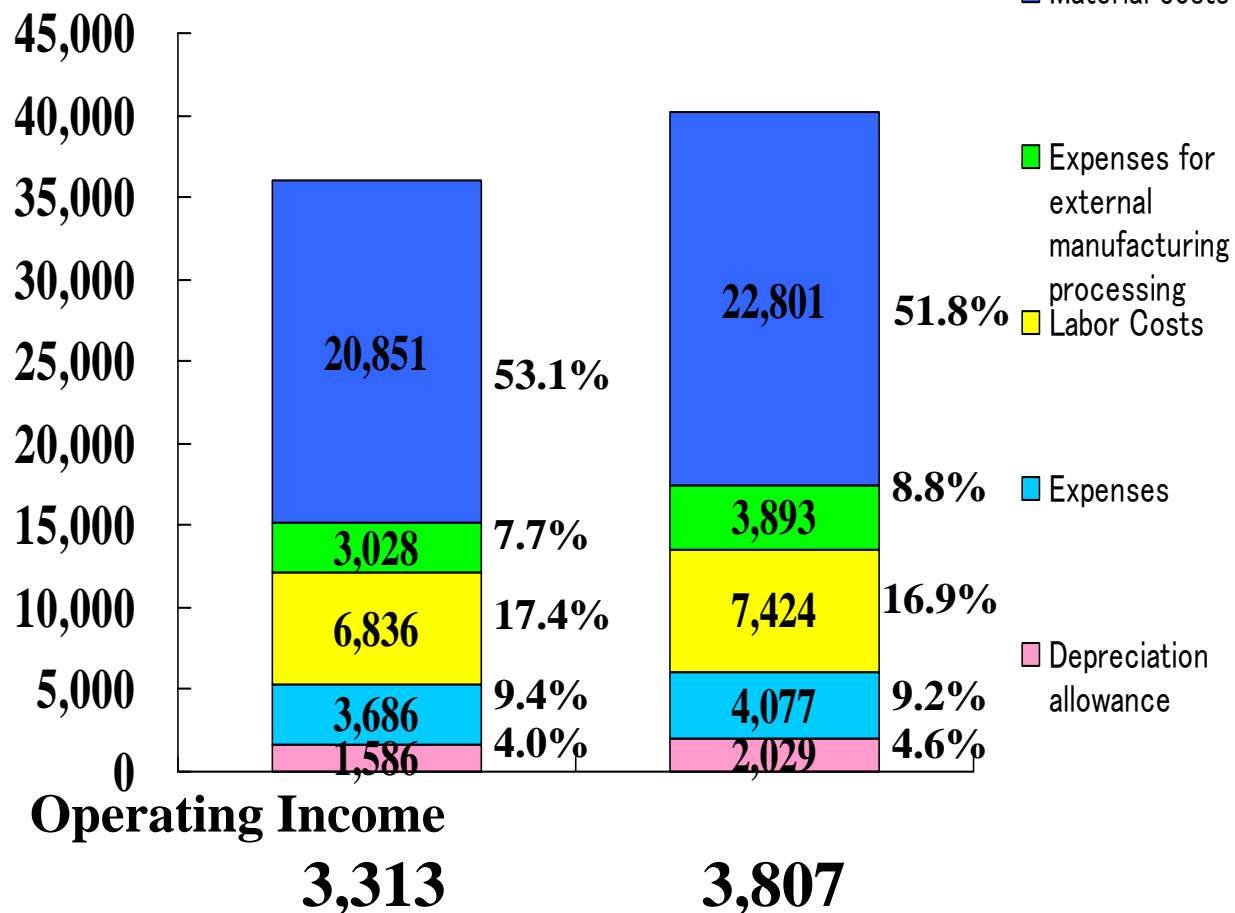
**FY2007
1H**

40,224

(91.3%)

(): Ratio to Total Sales

Unit:Million yen



[(Material costs+ Expenses for external manufacturing processing) improved by 0.2%]

60.8%→60.6% About 61 million yen

[Labor Costs increased by 588 million yen]

Average number of work force of overseas works

06/4-9	10,400 people	} Increased by 2600 people
07/4-9	13,000 people	

Main works reporting increase

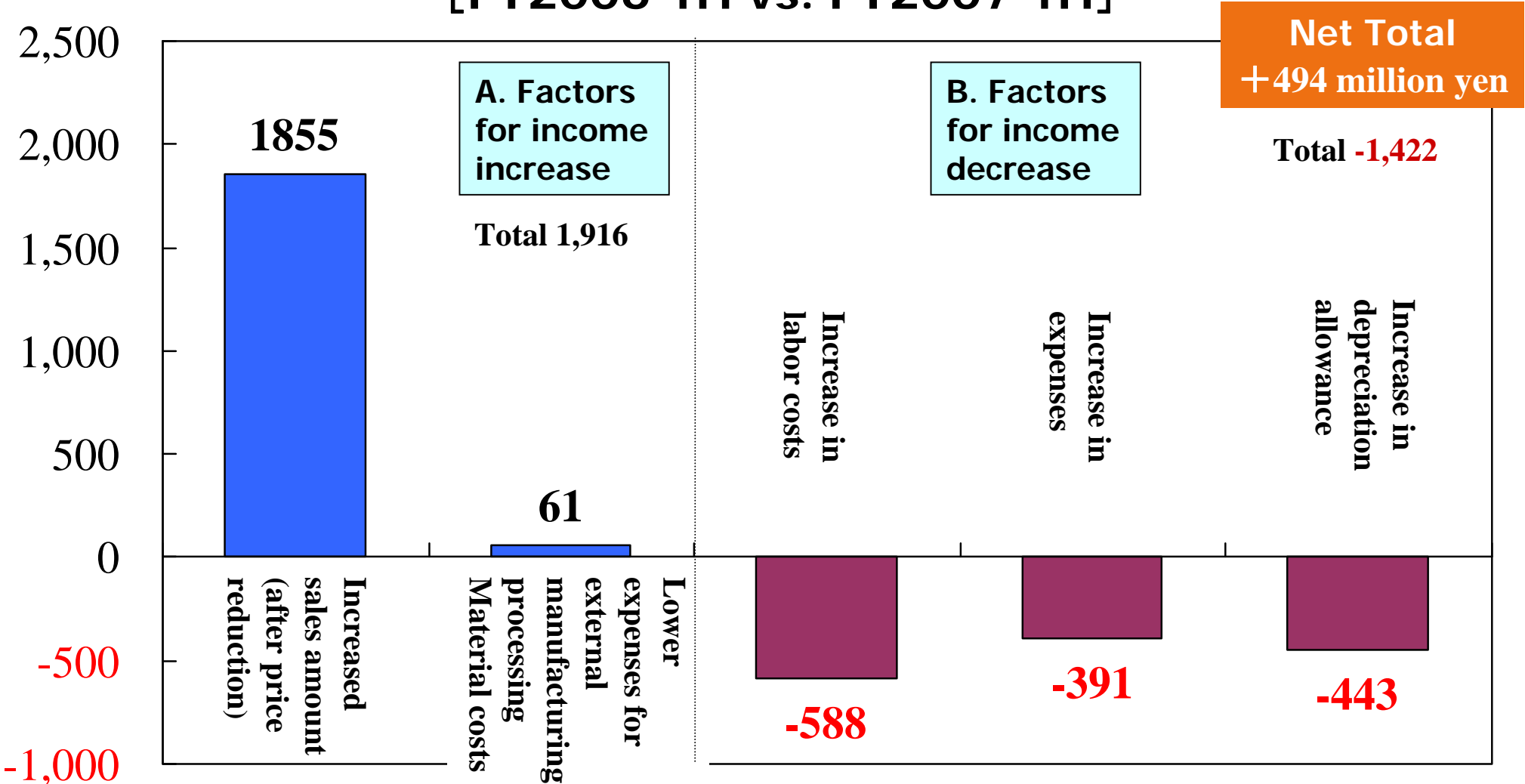
: Hunan, China 2,300 people
: Mexico 300 people

< Consolidated > Analysis of sales expenses ^{4/36}

Analysis of factors for increase & decrease of consolidated operating income

Unit: Million yen

[FY2006 1H vs. FY2007 1H]



< Consolidated > Non-operating income and loss

FY2006

1H

521

(1.3%)

FY2007

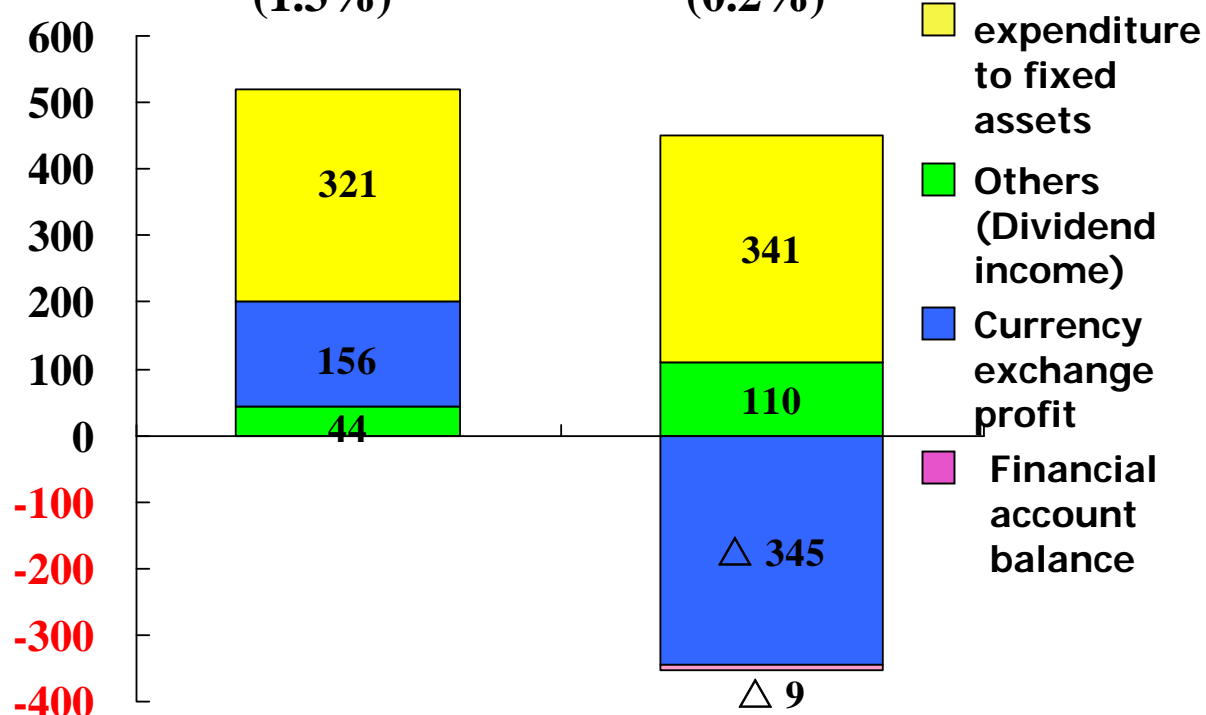
1H

97

(0.2%)

(Unit: Million yen)

(): Ratio to total sales



Comparison to the previous midterm
-424 million yen

[Exchange Gain → Exchange Loss
-501 million yen]

Previous midterm — Yen depreciated by
0.43 yen (as of Sept. 30, 2006)

[117.47(Mar. 06) — 117.90(Sept. 06)]

Current Midterm — Yen appreciated by
2.62 yen (as of Sept. 30, 2007)

[118.05(Mar. 07) — 115.43(Sept. 07)]

Ordinary income

3,834

3,904

Reference: <Consolidated> Net Sales and Operating Income by Product Division

6/36

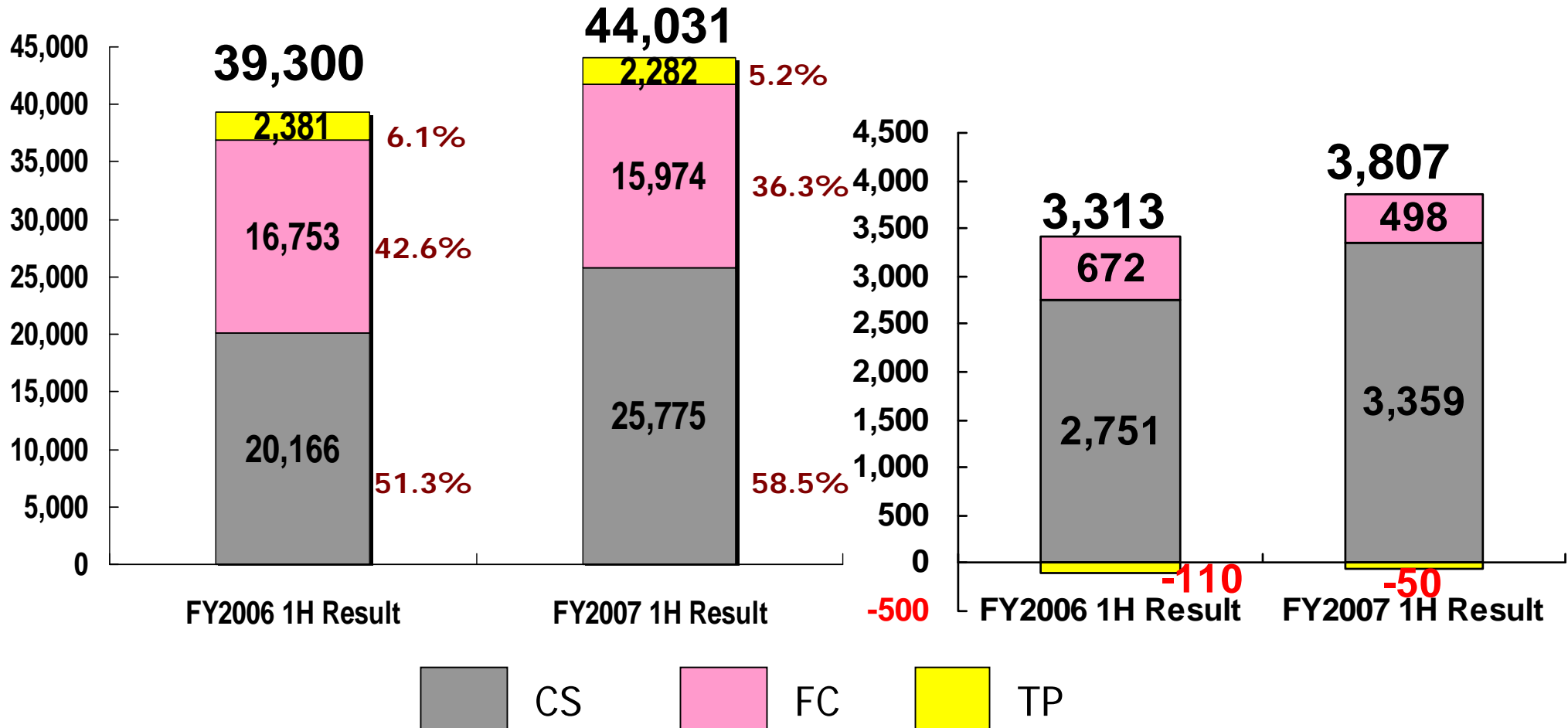
(FY2006 1H, FY2007 1H)

Unit: Million yen

Net Sales

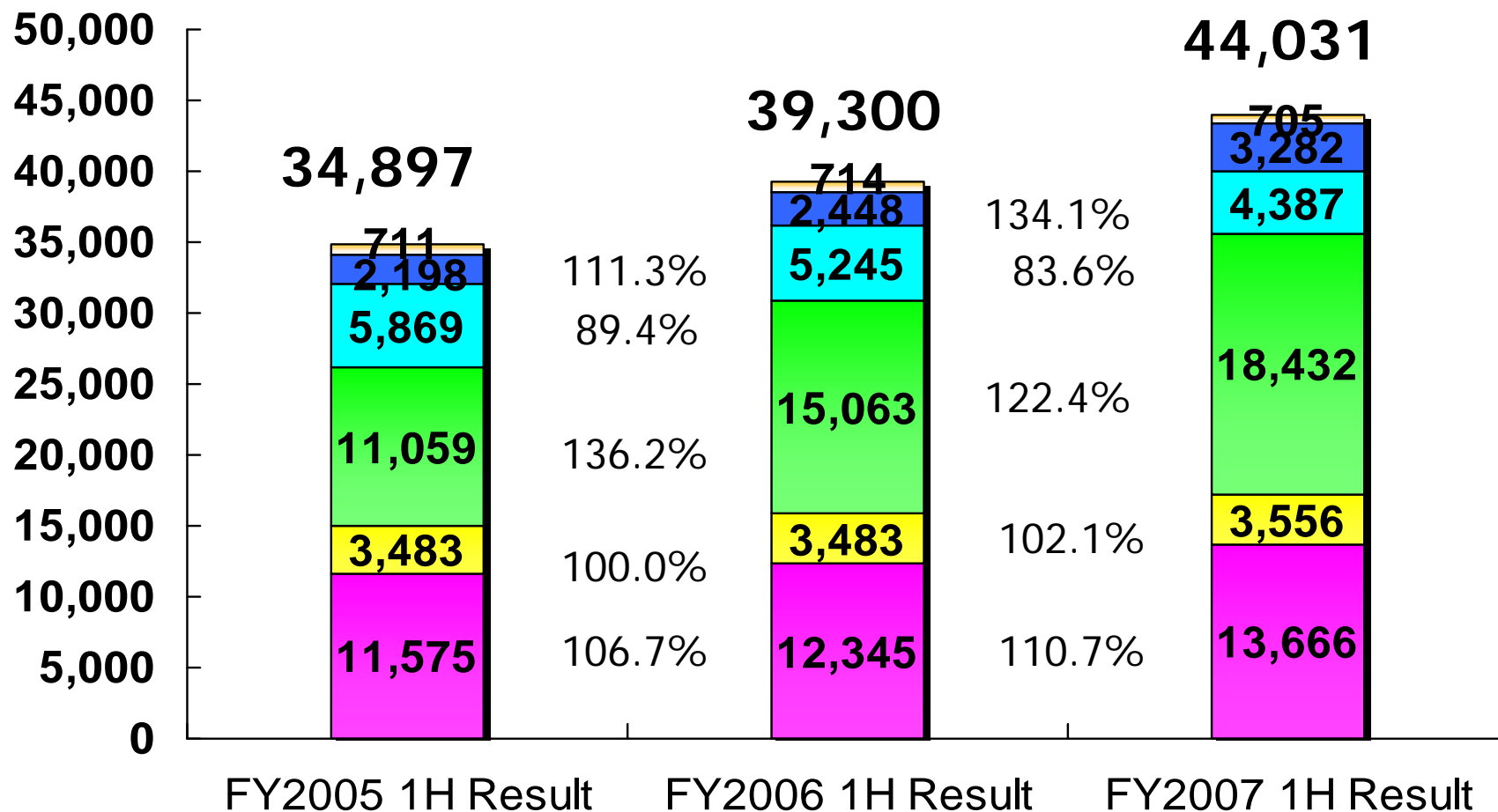
:%: Composition ratio

Operating Income



Net Sales by Market FY2005~FY2007(1H Result)

Unit: Million yen



Audio & Visual

Telecom

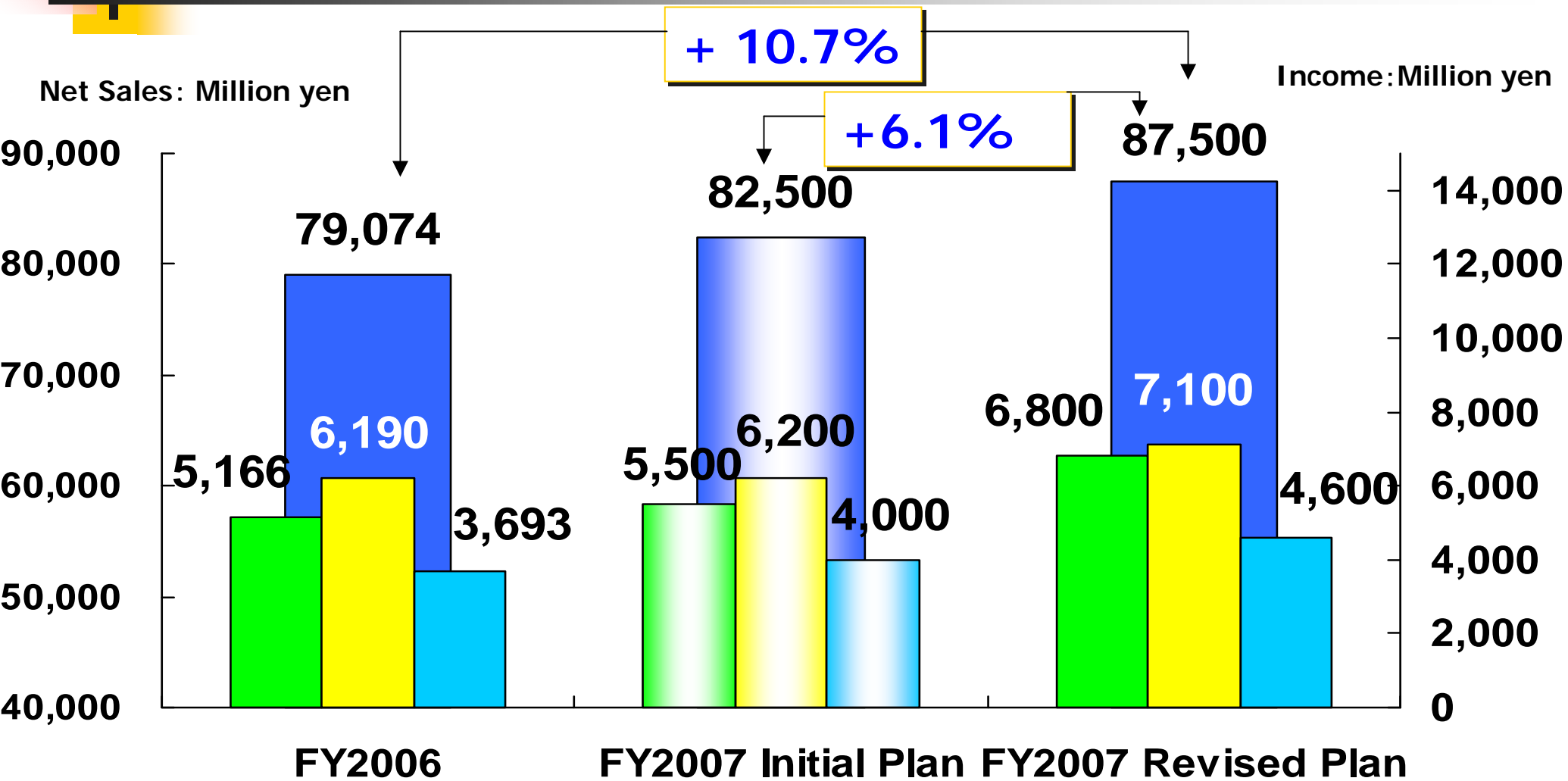
Amusement & Appliance

Car Electronics

Computer

Others

< Consolidated > Full-term Result & Plan



■ Net sales
 ■ Operating income
 ■ Ordinary income
 ■ Net income

< Net Sales >



■ Increased Sales Amounts for Remote Controls

Increased sales amounts for digital home electronics

- For Flat Panel Displays: Japanese/North American/ASEAN markets
- For STBs: North American market
- For DVD Recorders: Japanese/ASEAN markets

■ Increased Sales Amounts for Connectors

Enhanced sales amounts of new products

For Flat Panel Display

HDMI Connectors



For Portable Audio

Board-to-Board Connectors



Comparison to last year's performance
110.7%

13,666

TP 4

12,345

9

8,652

3,684

FY2006 1H

FC

9,837

CS

3,825

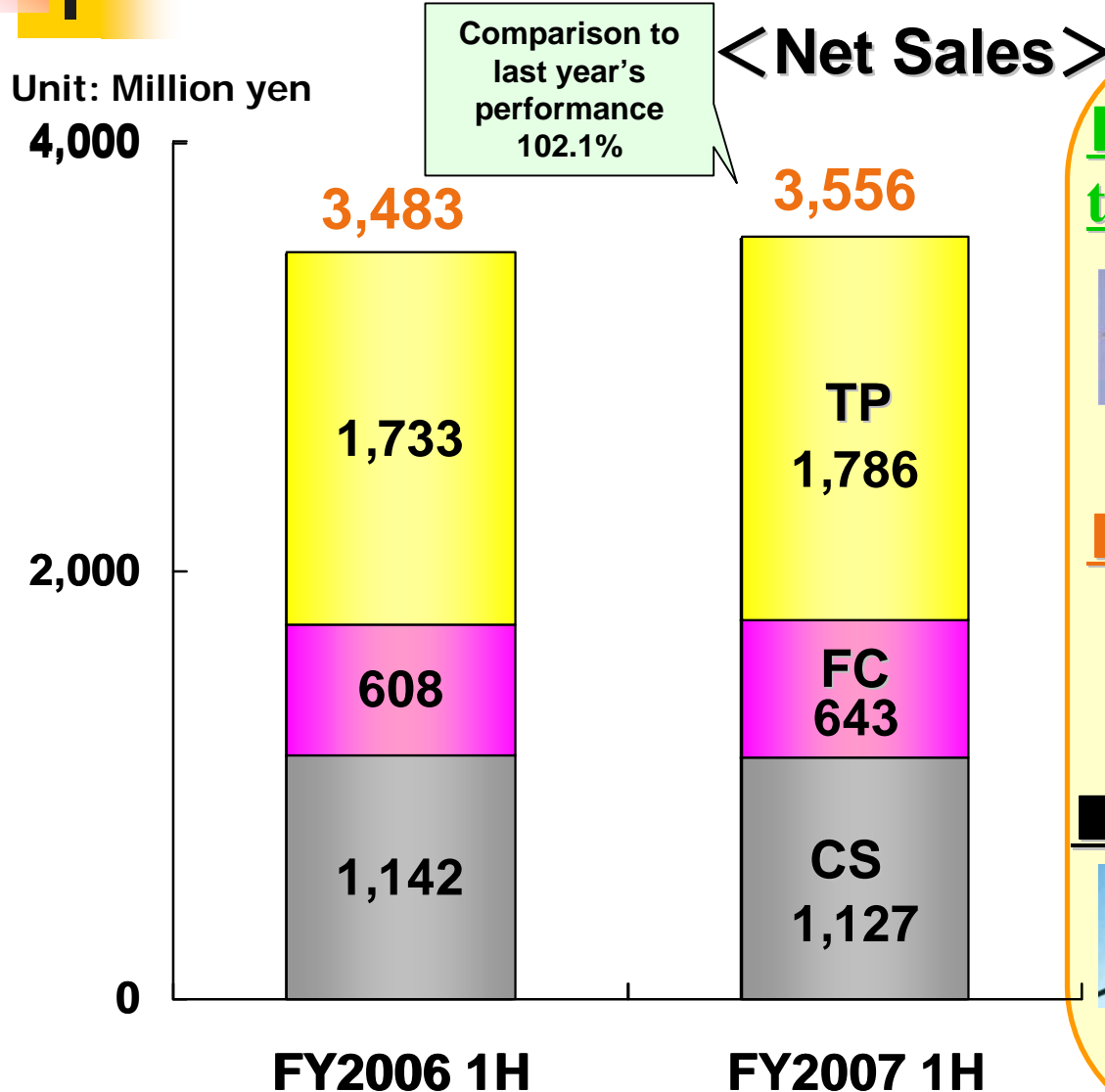
FY2007 1H

Unit: Million yen

10,000

5,000

0

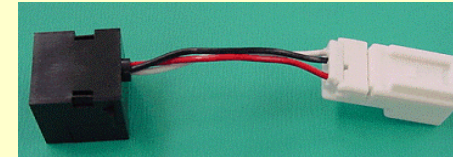


■ Increased sales amounts of touch panels



Increased sales amounts of factory installation touch panels for Japan and overseas markets

■ Increase in units



Increased sales amounts of factory installation microphone units for Japanese markets

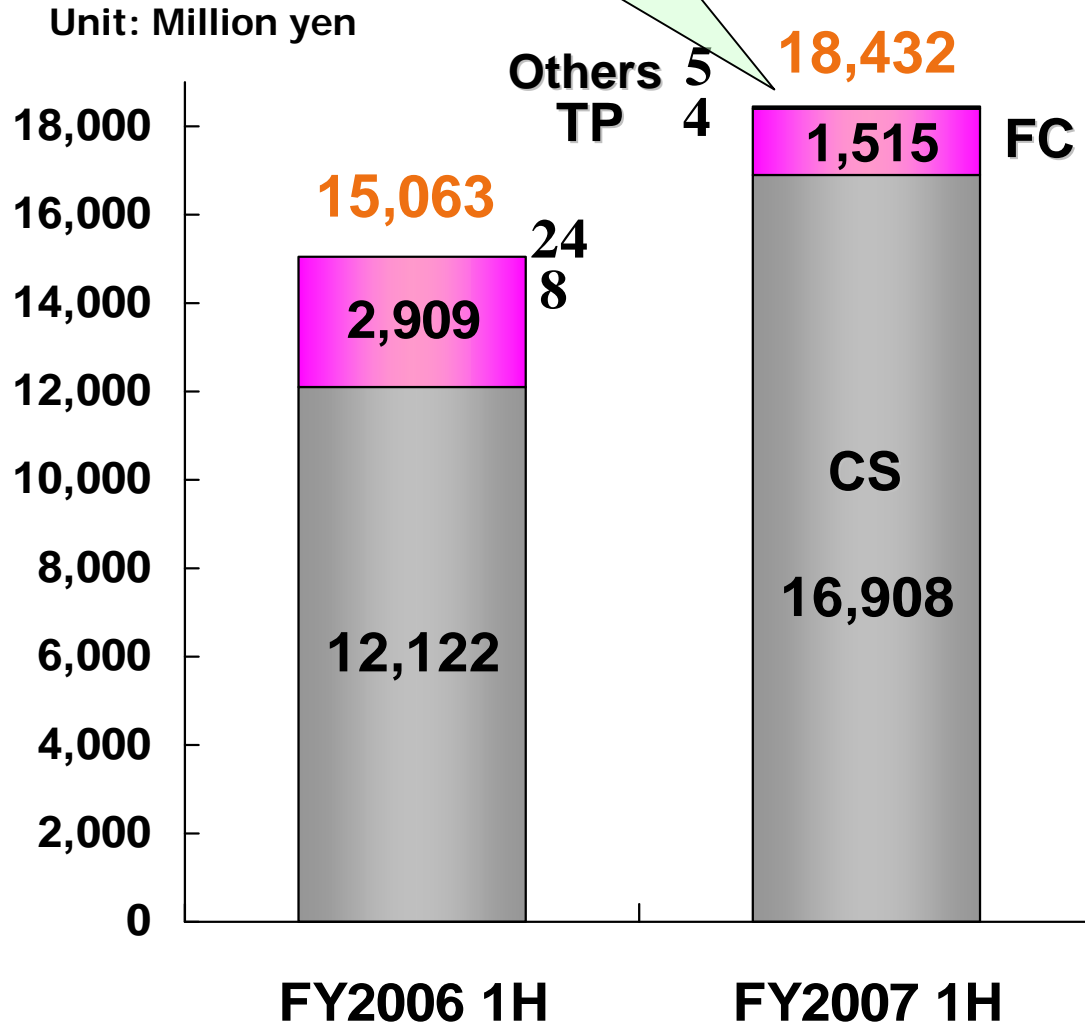
■ Declined connector sales



Decreased sales amounts of digital radio coaxial connectors for the North American market

Comparison to last year's performance
122.4%

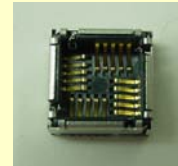
< Net Sales >



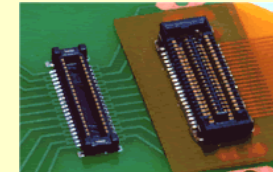
Expansion of connector sales

Increased sales amounts of connectors due to steady production of cell phones for overseas markets

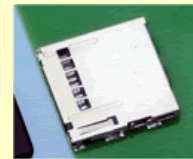
Camera Connectors



Board-to-Board Connectors



Card Connectors



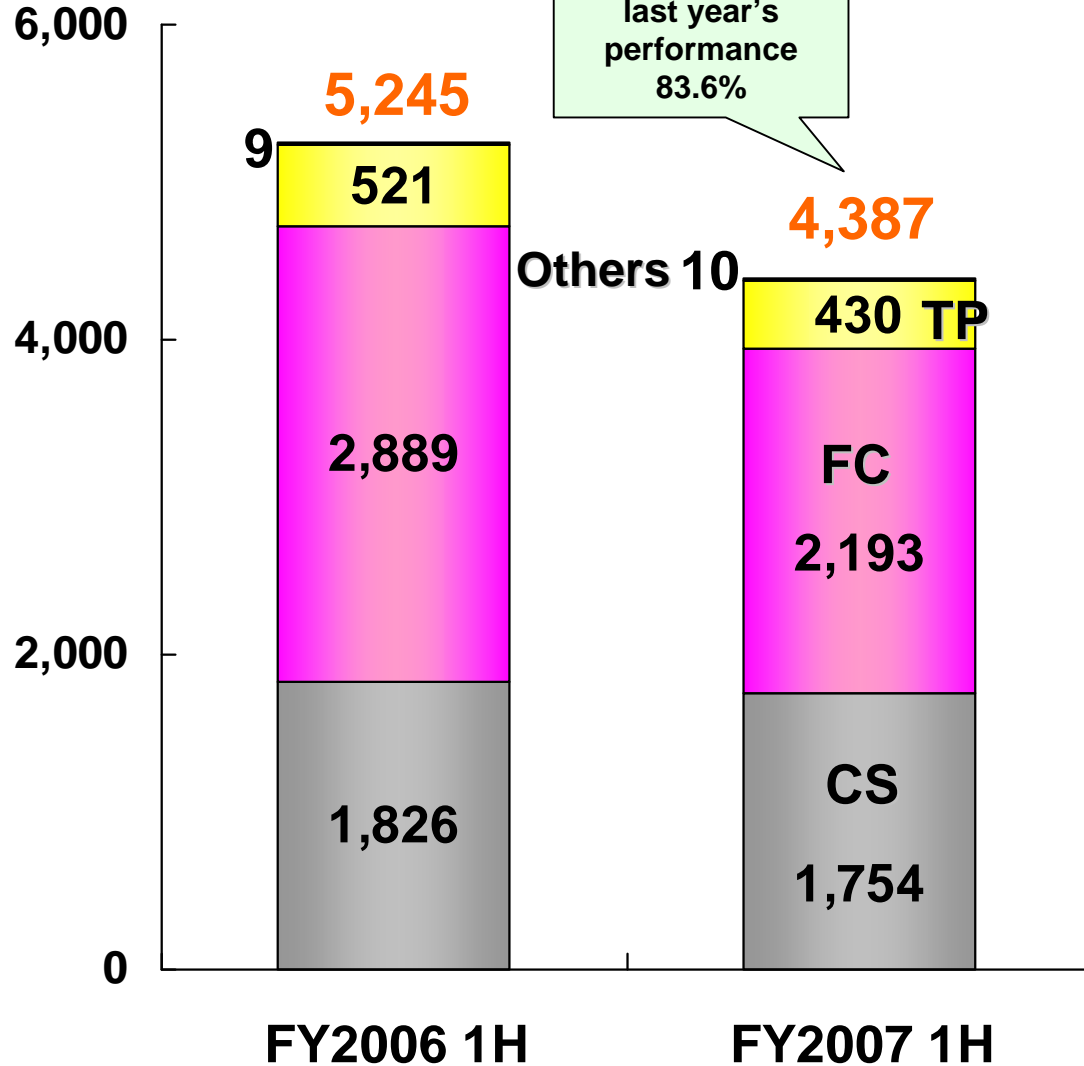
Others

I/O Connectors, etc.

< Net Sales >

Unit: Million yen

Comparison to last year's performance 83.6%



■ Increased sales amounts of units



Increased sales amounts of cradles due to steady demand of digital still cameras

■ Decreased sales amounts of keyboards and touch panels



Decreased sales amounts of keyboard and touch panels due to declining ECR/POS markets

■ Decreased sales amounts of remote control units



Decreased sales amounts of remote control units and optical receivers due to declining demand of AV computers

SMK's Management Goals

1. Three challenges

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

2. Turn-around of red-ink business into black at our earliest opportunity

3. Efforts for achievement of our middle term business plan

- * ROA 13% ROE 15%
- * Annual dividend of 25% to 30% payout ratio

4. Environmental corporate management

- * RoHS Directive and Chinese regulation in respect to its own RoHS, European REACH Regulation
- * Publication of environmental reports

5. CSR management

- * Compliance with the Japanese version of the SOX Act
 - Establishment of Internal Audit Department (as of Oct.1)

Acquisition of remote control business segments of Interlink Electronics, USA

14/36

Overview: Acquisition of two remote control business segments of Interlink Electronics

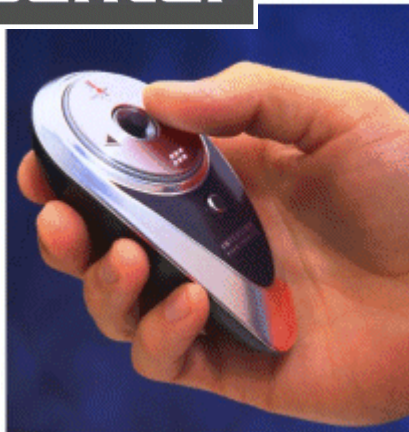
Date of signing: August 15

Acquisition Value: US\$ 11.5 million (1.32 billion yen)

- 1) Branded Business : Retail sales in the US market
→ Establishment of SMK-LINK by SMK-America**
- 2) OEM Business: OEM for computers and projectors**

Expected effect:

Annual Sales increase by the two business segments listed above: 2 billion yen



CS Division

CS Division

CS= Connection System

【Main products】 : Connector/Jack

■ Connector



FPC connector



I/O connector



Card connector

■ Jack



Speaker terminal

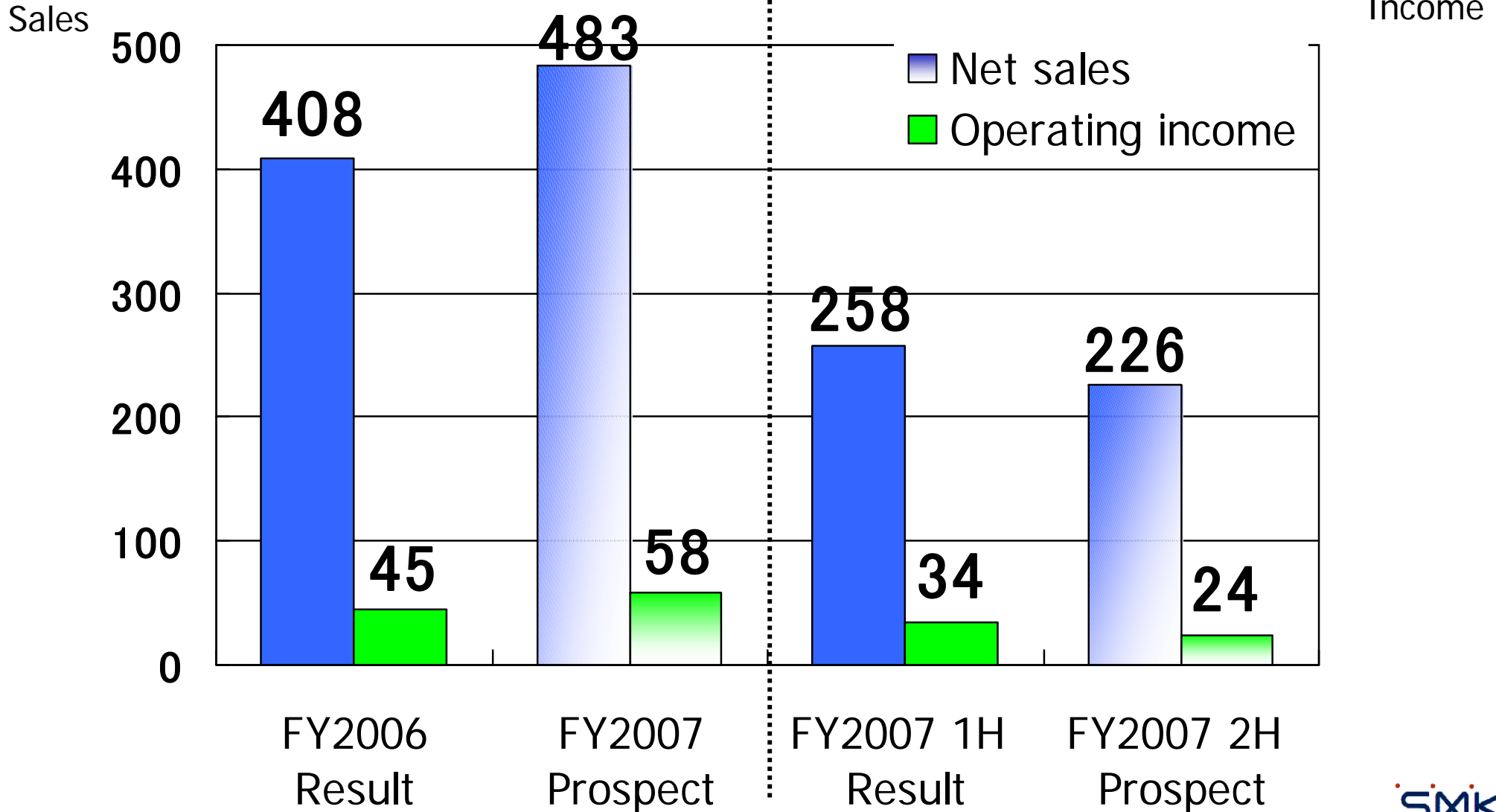


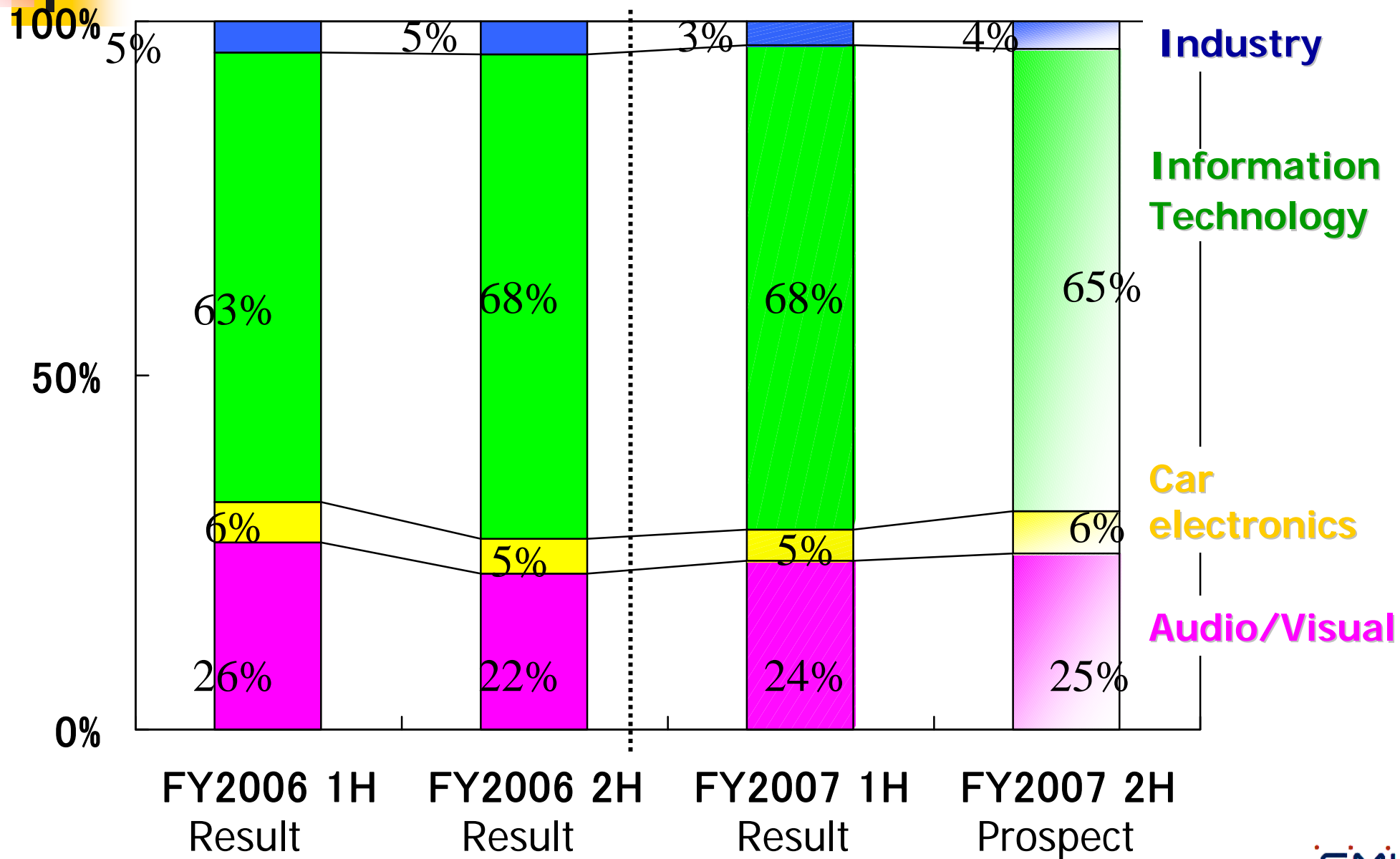
DC power supply jack,
Headphone jack

CS Division <Consolidated> Net sales, Operating income

17/36

Unit: Hundred million yen

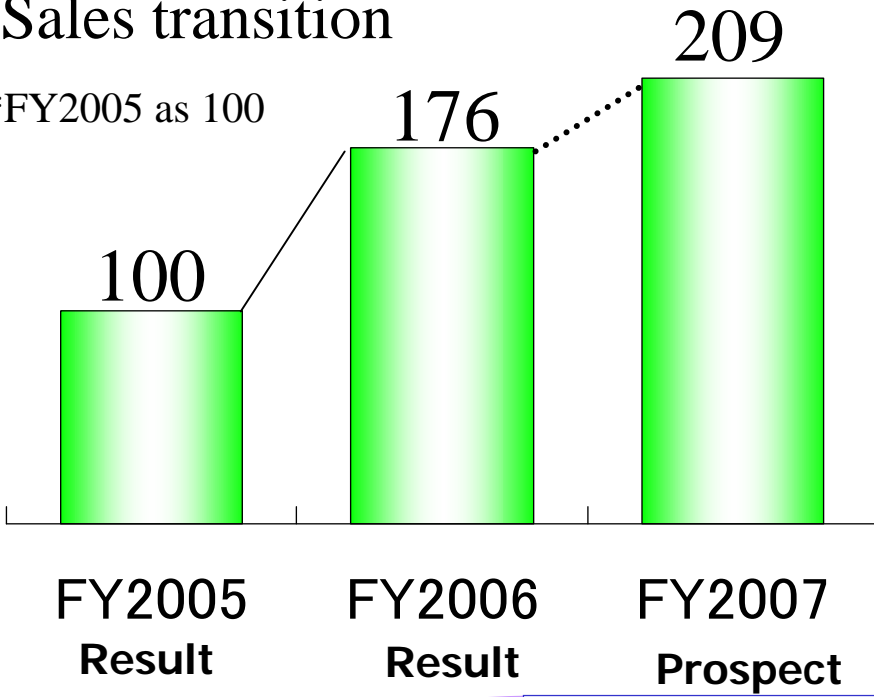




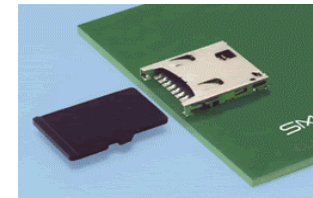
Sales transition

Small card connectors for mobile phones

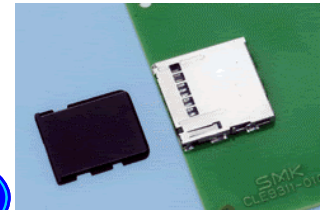
*FY2005 as 100



★ microSD/TransFlash
TM card connectors



★ MemoryStick Micro
TM card connectors

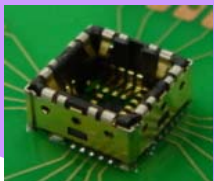


Optimization of product variations

Downsizing • space saving effectiveness

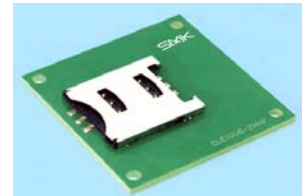
Combination • multi-functionality

Camera connectors



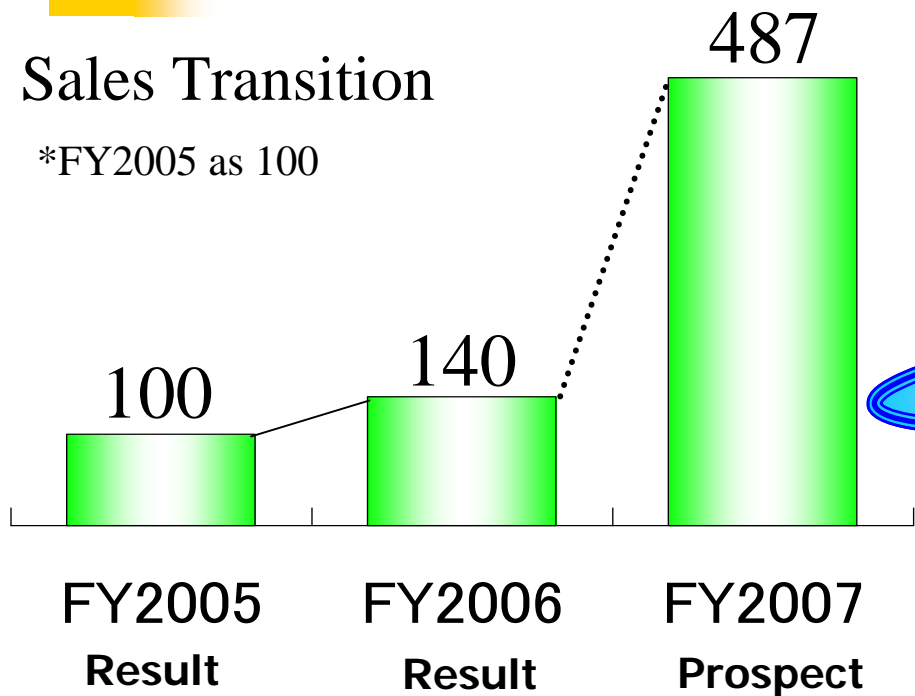
Automatic focusing applications
Lower profile and higher resolution products

★ SIM card connectors
Low-profile types

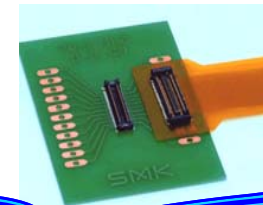
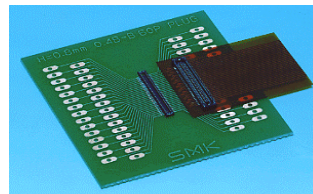


Sales Transition

*FY2005 as 100



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



Shielded design available

Expansion of product variations

Numbers of lined-up poles

PB-4A: 10, 16, 22, 24, 26, 28, 30P,
40, 42, 50, 60, 70, 80P

PB-4B: 12, 20, 26, 30, 36, 40, 50, 60P

Extended applicability

Digital still cameras



Wireless LAN modules



Mobile phones



SmartPhone



Camcorders



CS Division Strategic markets/products

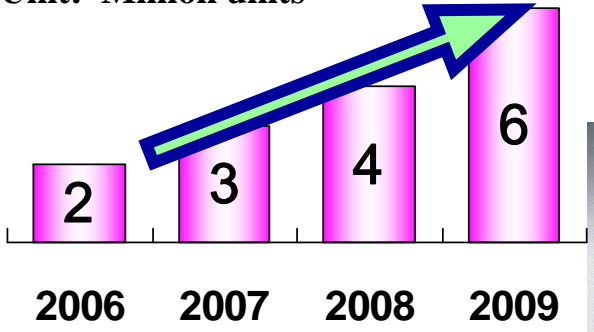
Automotive electronics

Telecommunications

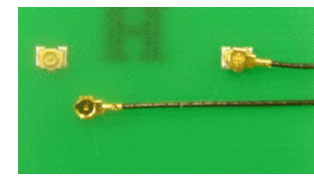
16P interface connectors
low-profile (2.0 mm high when joined)

Projected demand
Unit: Million units

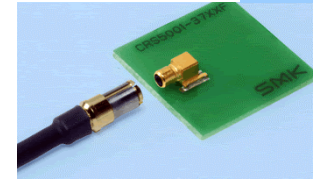
Automobile use camera connectors



Coaxial connectors
TC-7
Shortest in the industry
(H=1.0mm)

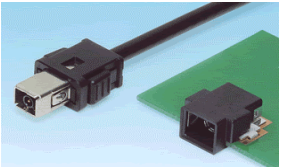


Coaxial connectors
TS-9

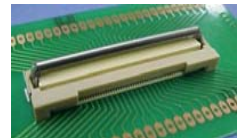


Audio & visual

Coaxial connectors
TC-15



FPC connectors
EC-05/10



Safe driving systems
(such as sensors, etc.),
ETC, etc

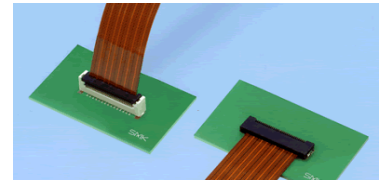
High speed transmission

Operability

Contact reliability



HDMI connectors



FPC connectors
EF-51

Solar cell systems



Photovoltaic module connectors
Large current
water proofing

1. Promotion of development of technologies and products

- Timing and speeding up
- Patent and quality

2. Pursuit of optimal means (production and sales)

- More financial efficiency (General/Conversion facilities)
- Promote support for overseas divisions

3. Elevation of total strength

- Execution of strategy by business unit and model
- Strong start (7th medium term business plan)



FC Division

FC Division

FC=Functional Components

【Main products】 : Switch/Keyboard/Control panel/Earphone microphone/Bluetooth/Microphone/Remote control unit/Camera module

■ SW (Switch)



Various types of switches

■ UN (Unit)



Earphone microphone



Bluetooth



Electret Condenser Microphone (ECM)

■ RC (Remote Control)

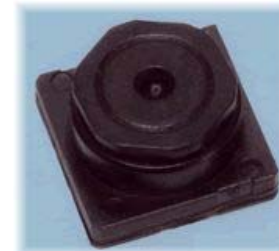


Remote Control Unit



Color Intelligent Remote Control Unit

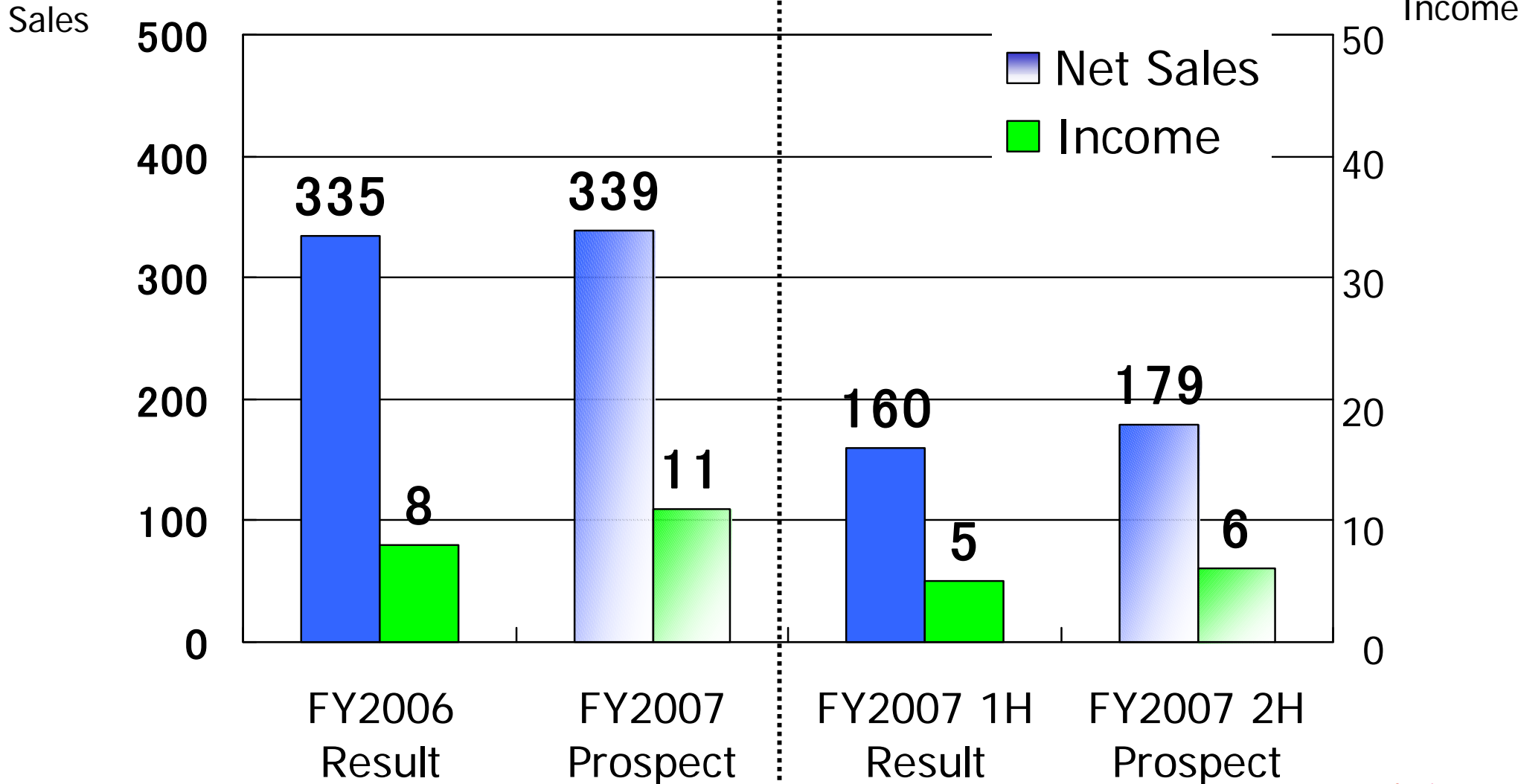
■ MD (Module)



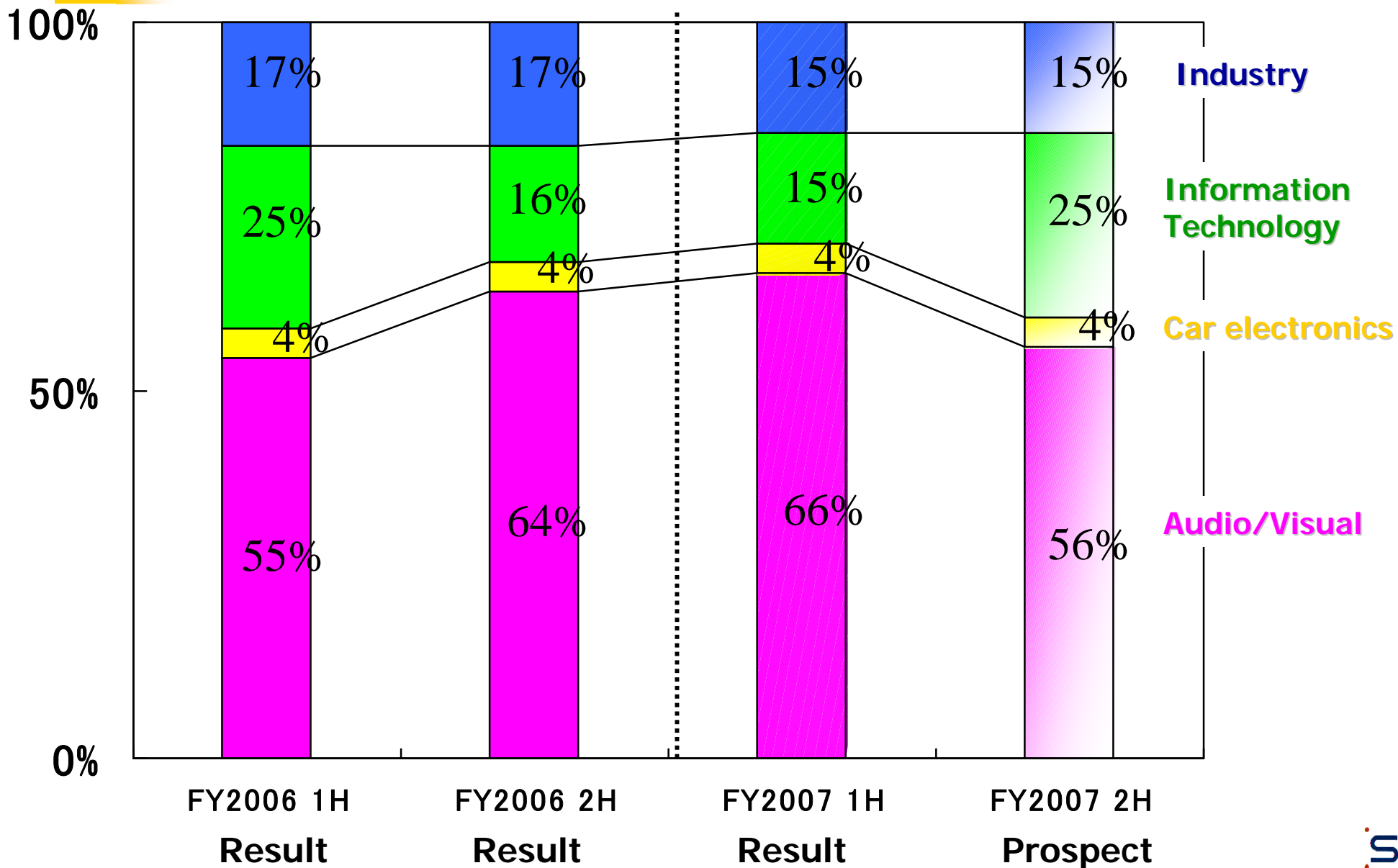
Camera module

<Consolidated> Net Sales, Operating income

Unit: Hundred million yen



<Consolidated> Transition of Market-Specific Sales



FC Division Product

SW

Up to 2007: Breed improvement (product development) and sowing (marketing)
2008 and on: Reaping (production/sales increase)

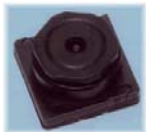
UN

Marketing activity for BT units, AC chargers and antennas

RC

Development of products differentiating us from competing RC manufacturers

RF and sensor technologies

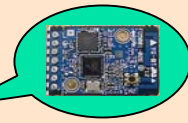
MD

Product development focusing primarily on automotive camera modules

Image processing technology & weatherability

FC Division Major markets

AV equipment application market



RF modules best suited for remote control applications



Multi-function switches



Car electronics parts market



Wide-angle camera modules



Rubber single key switches



In-vehicle Remote Control Units
CarNavigation/AD/RSE

Mobile phone parts market



Thin slide switches



2-dome switches



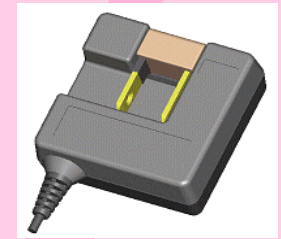
Small horizontal switches



Detector switches (DSI/DSJ)



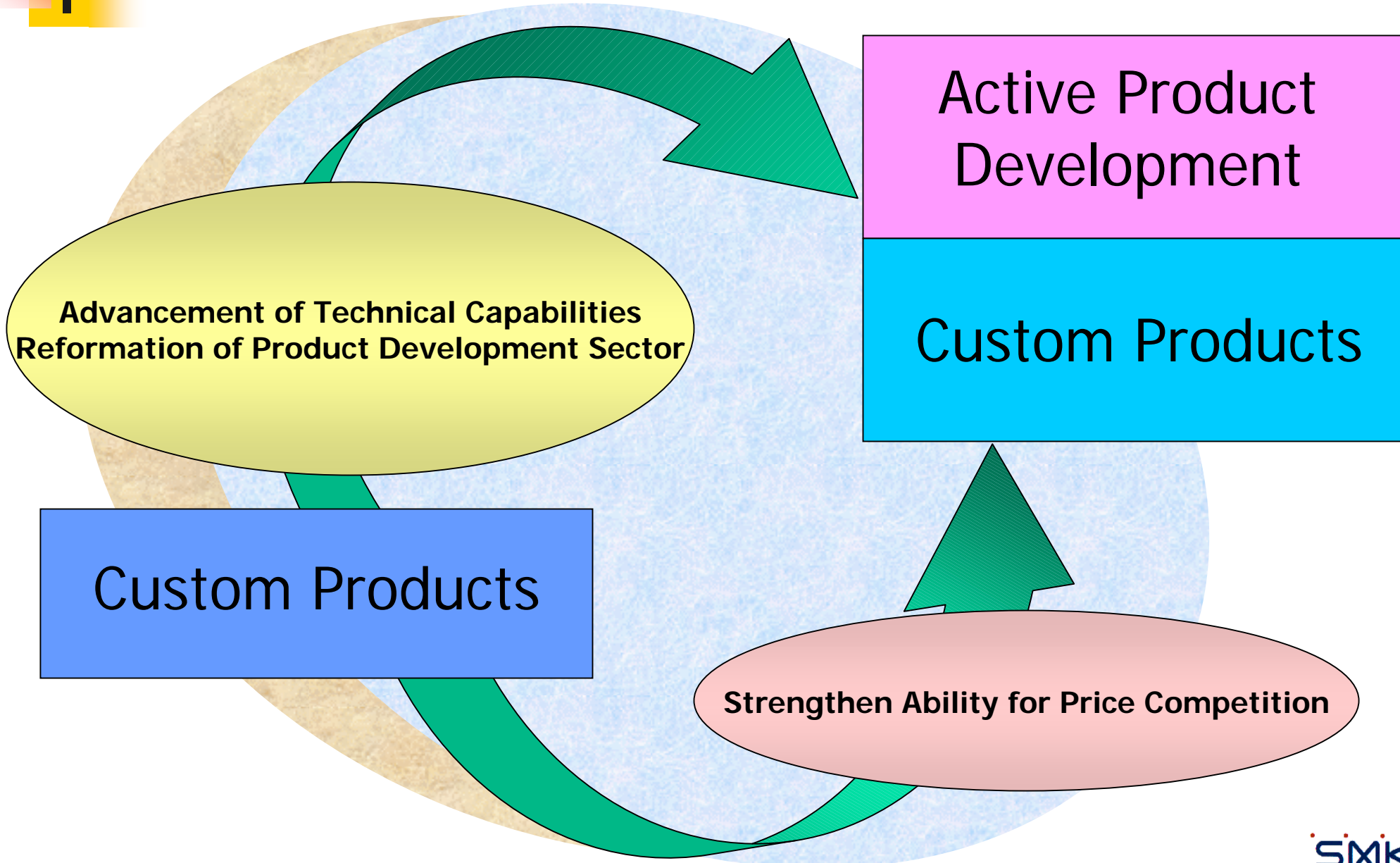
Bluetooth Earphones



AC Adapters applicable worldwide

FC Division Objective for FY2007

29/36



TP Division

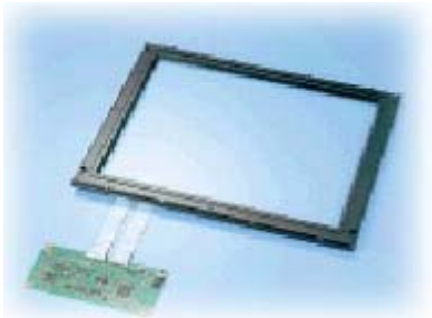
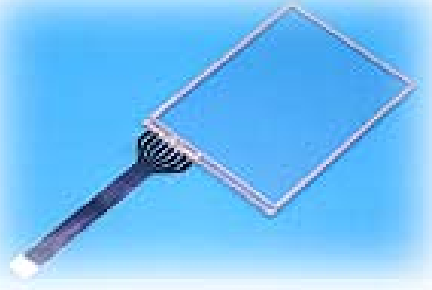
Touch Panel

Main items

SMK

Touch panels

Resistance sensitive system



Optical system

Film/Glass structure

- Standard type
- Anti-smudge type
- Anti-bacterial 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

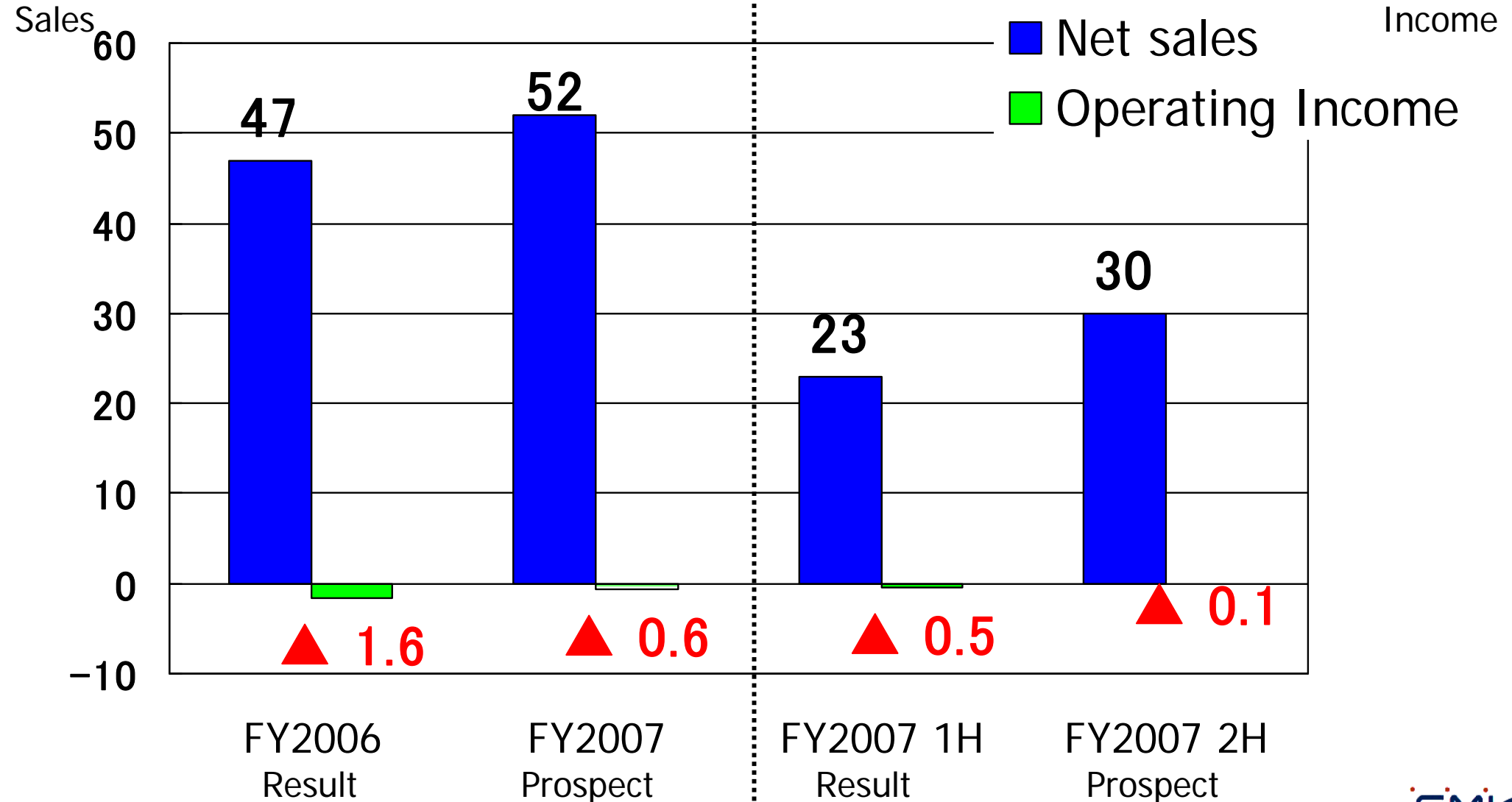
Force-feedback

Glass panel

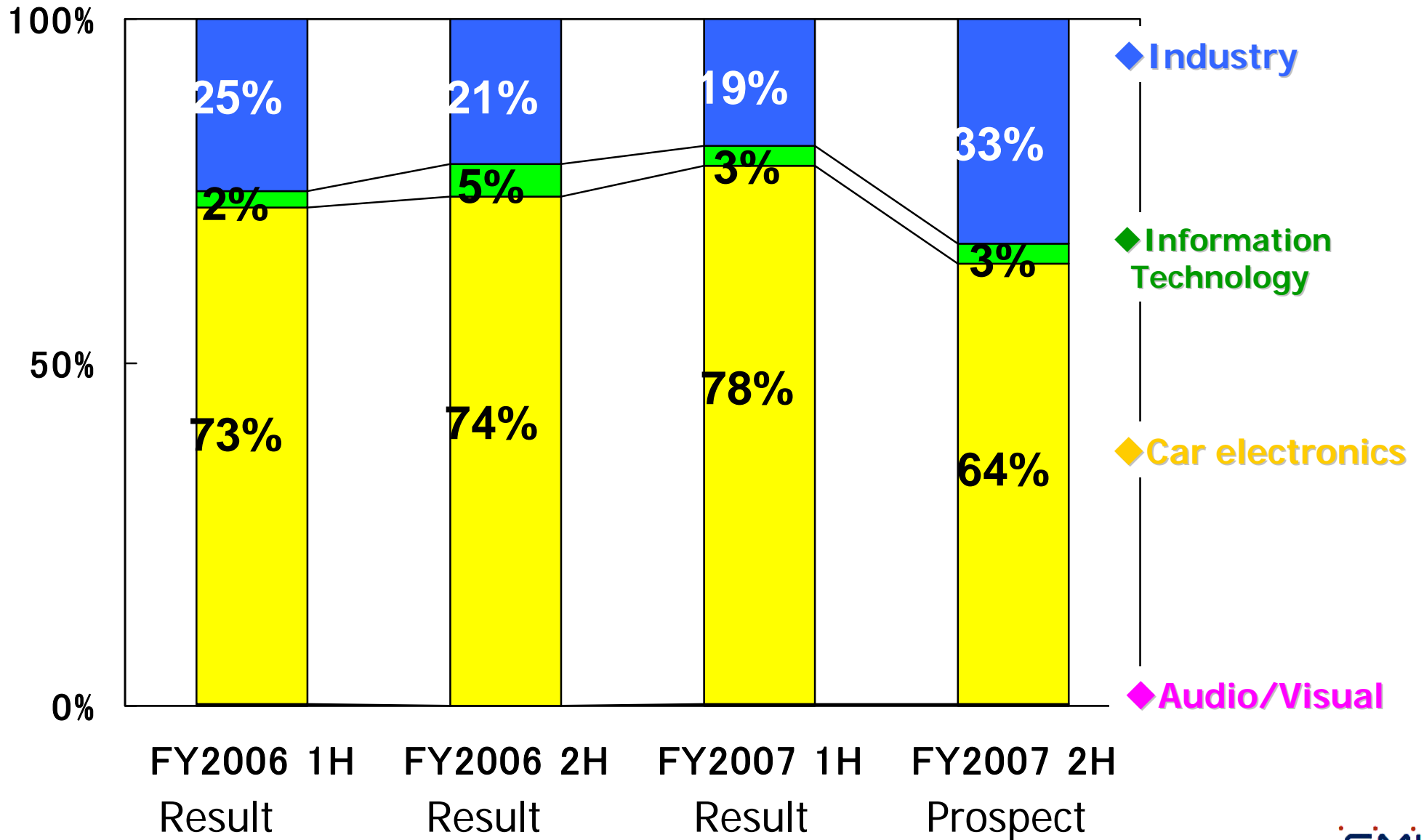
Acrylic panel

<Consolidated> Net Sales, Operating Profit

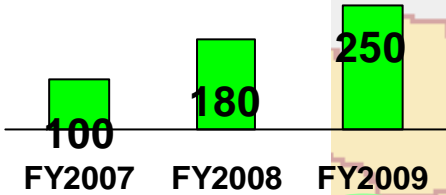
Unit: Hundred Million yen



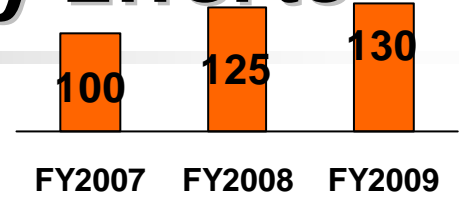
<Consolidated> Transition of Market-Specific Sales



Cost and Production Capacity Efforts



- Use of overseas resources
- Chinese market



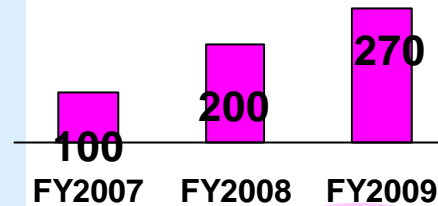
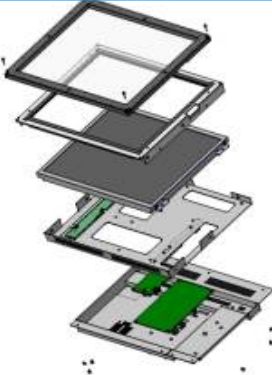
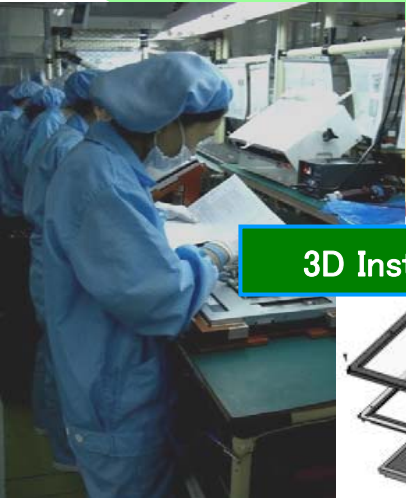
SMK-J

- Investment for semi-automatic facilities
- High value added goods
- Development of differentiated products



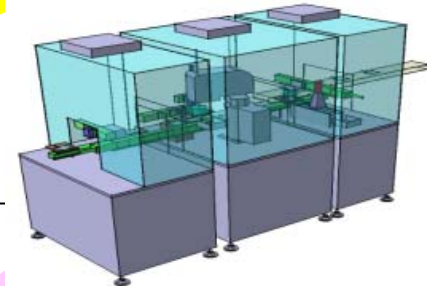
SMK-DG

3D Instruction Manual



SMK-PH

- Expansion of MP Production Capacity
- Expansion of Clean Room
- Investment for Mechanical Installation
- Transition of Small Model/Large Model



FY2007 Key activity points Expansion of Sales

★ 1 Marketing of differentiation products

- Touch panels of Glass+Glass, in-vehicle high transparency and low reflectance Film+Glass, force feedback, and integrated optical types

★ 2 Marketing in the overseas market

- Glass+Glass: Europe and USA
- Film+Glass: USA, China, ASEAN
- Optical system: USA and China

★ 3 Expansion of overseas production

- Improvement of labor-saving/ greater production yields in the Philippines
- Production of integrated optical touch panel LCD module units in China (SMK-DG)



Notice

All information in this material concerning the forecast of business achievements, projections of general business conditions and our business strategies is dependent on our conclusion made to a normally foreseeable extent applying information reasonably accessible to us at the time of preparation of this material. However, the reality is that it contains risks and uncertainties which may cause result to materially differ from business projections, stated or implied, due to situations which are unforeseeable under normal conditions, or of results which are beyond a reasonably foreseeable outcome at that time.

Despite our active efforts to disclose information which is considered to be important to investors of our company, total dependence on the business projections in this material, stated or implied, must be refrained from when decisions of any kind are made regarding our company.

*The materials for this presentation to our investors is available on the IR Information Section of our Web site, <http://www.smk.co.jp/>.