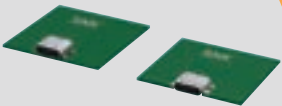


SEMI ANNUAL REPORT

2017


For the six months ended September 30, 2017

Connection System Division

Two green printed circuit boards (PCBs) with a USB Type-C receptacle component mounted on them.

USB Type-C™ Receptacle

Functional Components Division

A white plastic network adapter with a RJ45 port and a BNC connector.

ECHONETLite™ Adapter (Wired)

Research & Development Center


A small green PCB with a white component and various connectors.


Sigfox RF Module "WF923"

Touch Panel Division

A square touch panel displaying a colorful abstract image.

"D2 F/G" Resistive Decorative Film Touch Panel

The SMK LOGOMOTION logo, with 'SMK' in blue and 'LOGOMOTION' in black, accompanied by a signal icon.
LGMCard

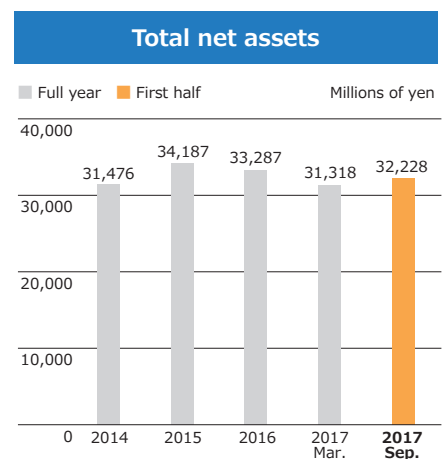
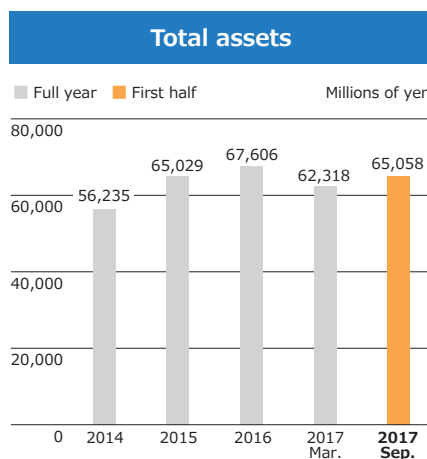
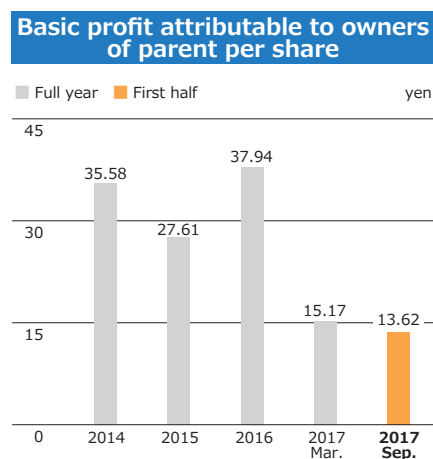
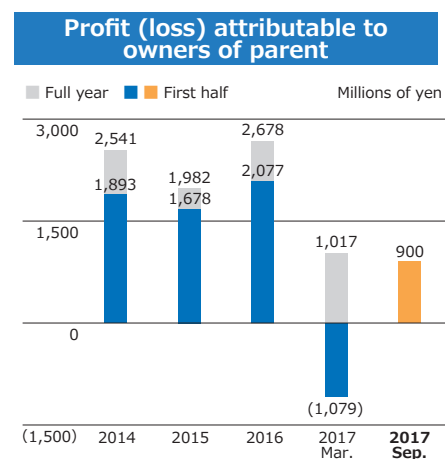
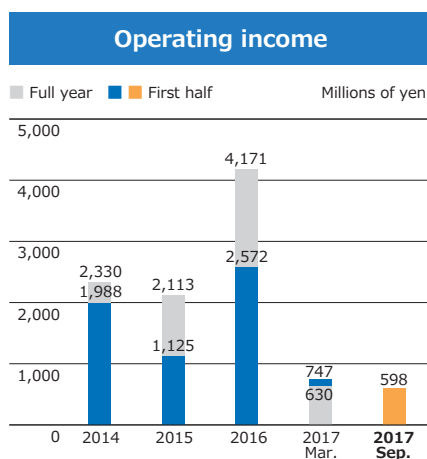
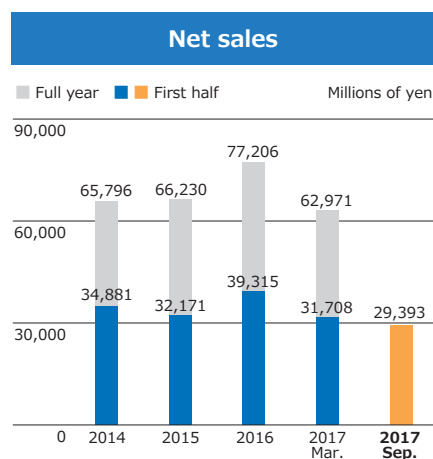
A black integrated circuit (IC) package with gold pins.

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2016	Six months ended September 30 2017	Six months ended September 30 2017
Operating Results			
Net sales	¥ 31,708	¥ 29,393	\$ 260,738
Operating income	747	598	5,305
Profit (loss) attributable to owners of parent	(1,079)	900	7,984

	As of March 31 2017	As of September 30 2017	As of September 30 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Financial Position			
Total assets	¥ 62,318	¥ 65,058	\$ 577,113
Total net assets	31,318	32,228	285,887

	Yen		U.S. dollars
	Six months ended September 30 2016	Six months ended September 30 2017	Six months ended September 30 2017
Per Share Data			
Profit (loss) attributable to owners of parent			
Basic	¥ (15.87)	¥ 13.62	\$ 0.12

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 112.73 = 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 first half of the 96th fiscal year (from April 1, 2017 to September 30, 2017).

We look forward to your continuing support and encouragement.

November 2017

Yasumitsu Ikeda
President, CEO and COO



Performance Overview

During the first half of the 96th fiscal year ended September 30, 2017, the global economy remained solid despite heightened geopolitical risk. The Japanese economy maintained moderate growth against the backdrop of recovering corporate earnings and the government's fiscal spending, remaining in an economic expansion phase.

Under these circumstances, the SMK Group enjoyed steady growth in sales of connectors for the healthcare market, and sales of connectors for rearview cameras in the car electronics market were also solid. However, 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 car electronics were sluggish partly due to intensified competition with other manufacturers.

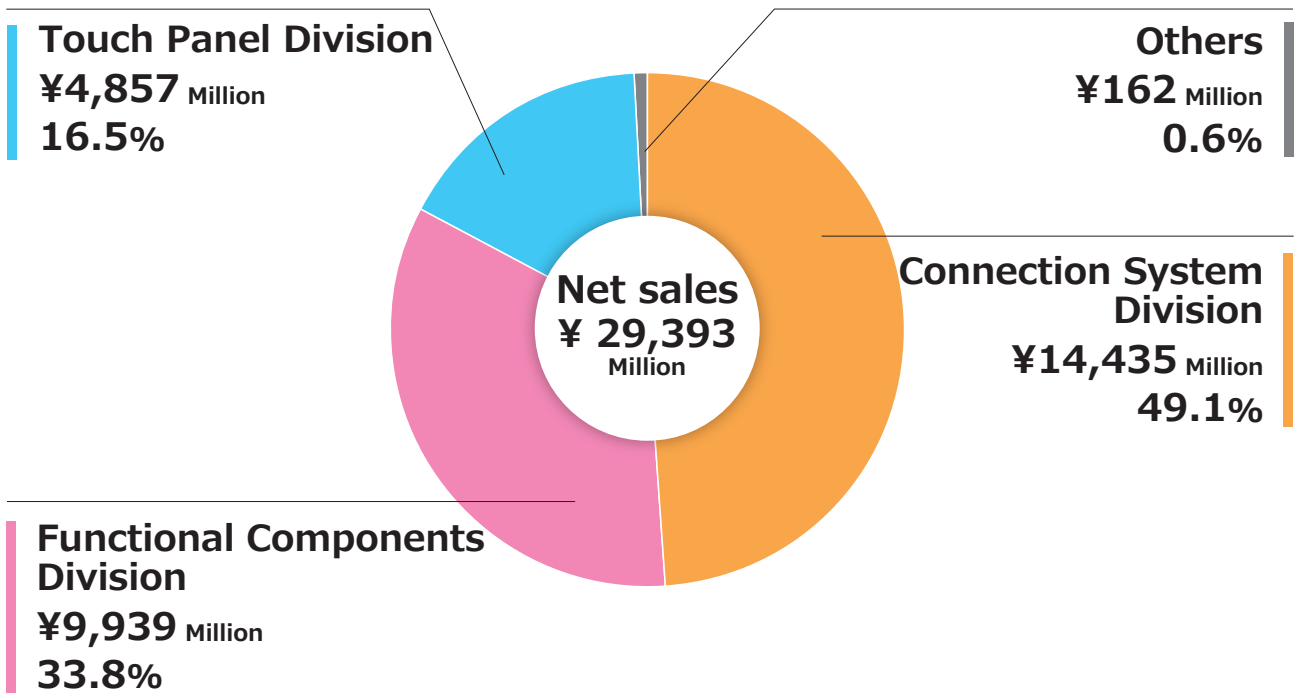
Net sales for the first half decreased year on year despite efforts to launch new products proactively. Although initiatives were taken to reduce cost of sales and cut expenses, the sales drop led to a decline in operating profit.

Going forward, the SMK Group will strive to further improve its profitability by increasing productivity and cutting expenses, secure sales in its mainstay markets and increase revenue through new businesses. The SMK Group will not only respond to changes in the existing businesses but also proceed proactively with efforts to expand operations in new markets which are expected to grow in the medium to long term, such as the environment and energy, healthcare, wearable devices and IoT (Internet of Things), and to create new businesses by cooperating with partner companies and promoting Open Innovation.

Although the uncertainty in the business environment is expected to continue going forward, all employees are committed to working together to build a corporate structure that realizes sustainable growth through swift responses to changes in the business environment.

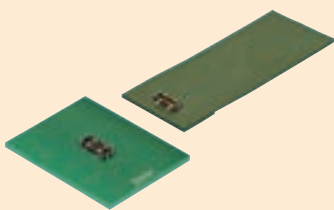
Overview of Consolidated Results by Division

(April 1, 2017 to September 30, 2017)



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

Connection System Division



FPC to Board Connectors
"FB-9 Series"

Applications:
Smartphones, Tablet PC,
other mobile devices

Major Products

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

Sales of connectors in the information and communication markets increased year on year, as sales grew for connectors for tablets of customers in North America although connectors for smartphones struggled due to intensified competition with other connector manufacturers for supply to customers in the Chinese region. Sales of connectors in the car electronics market, which continues to show stable growth, rose steadily mainly for products for rearview cameras, with the accelerating development of car electronics serving as a tailwind. Sales of connectors for the industrial machinery market increased sharply year on year due to continued strong growth in connectors for the healthcare market.

Functional Components Division



Bluetooth® Smart-supported Standard Voice Remote Control

Applications:
Set-Top Box,
Home Network Devices

Major Products

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

Sales of remote control units, our mainstay products, remained solid for sanitary goods in Japan. However, sales of the products for set-top boxes dropped sharply year on year, affected by a decrease in sales volume to U.S. customers due to increased competition with other manufacturers of remote control units. As for units, sales increased year on year, as sales of automotive camera modules expanded steadily although products for U.S.-bound home equipment fell due to production adjustments by customers. Sales of switches slightly decreased year on year, as sales of switches for smartphones dropped due to order adjustments associated with changeovers to new smartphone models.

Touch Panel Division



Capacitive Touch Panel "CapDuo Touch"

Applications:
Automotive Center Console,
Factory Automated (FA) Equipment,
etc.

Major Products

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

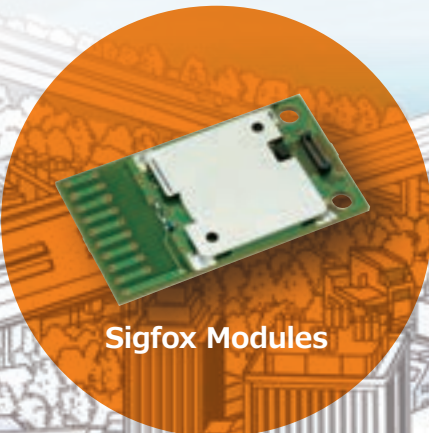
In the market for touch panels for car navigation systems and automotive center consoles, our mainstay products, the market environment continues to change significantly due to a shift in demand to capacitive models from resistive models. Despite new orders won for capacitive models and orders continuously received for touch panels for the industrial machinery market, such as for machine tools other than those for car electronics and for office equipment, sales of overall touch panels fell year on year because a decline in sales of resistive models was not fully offset.

SMK's Activity for IoT Market

SMK Corporation is focusing on developing products and proposing solutions for the Internet of Things (IoT) business, for which demand is expected to expand rapidly going forward.

SMK's key strengths in the IoT business are hardware and software technologies for network connection, Human Machine Interface (HMI) technology for the realization of Home Automation, and miniature mounting, waterproof and precision molding technologies for device development. SMK is stepping up efforts to meet new communication standards, especially for wireless communication modules.

For differentiation from competitors, SMK promotes Open Innovation and strengthen collaborations beyond the electronic parts industry, with a view to expanding the IoT business.



Sigfox Modules

Infrastructure

- Monitoring water supply and sewerage systems
- Detecting gas leaks
- Managing parking lots

Offices and Buildings

- Ensuring security
- Managing disaster preparedness



SMK
SMK Solutions
Creating New Values

Medical Treatment and Nursing Care

- Home medical equipment
- Managing personnel allocation
- Increasing work efficiency



IP500™ Modules

Factories

- Monitoring the indoor environment
- Monitoring equipment failures

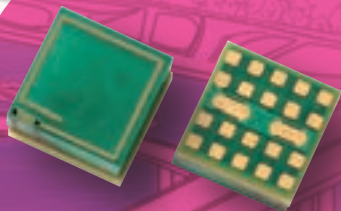
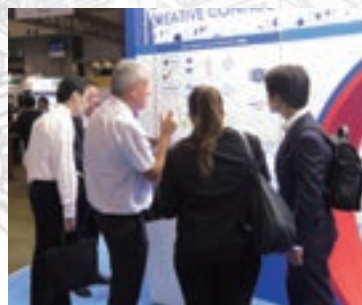
SMK Exhibits at CEATEC JAPAN 2017



SMK joined the CEATEC JAPAN 2017 Cyber-Physical System (CPS) / Internet of Things (IoT) exhibition held at the Makuhari Messe convention center in Chiba for a four-day run from October 3 to 6.

Centering on the potentially expanding market such as Low Power Wide Area (LPWA) communication for the Internet of Things, SMK showcased Open Innovation activities and Home Automation among others, giving special consideration to allowing visitors to experience them through demonstrations.

SMK demonstrated a wide product lineup of LPWA communication modules and had many visitors recognize SMK's competitive advantage in and the features of module for IP500™, a LPWA network standard originated in Germany, which was displayed only by SMK. As a result, SMK's booth drew far more visitors than the initial target.



Bluetooth® low energy Modules

Agriculture and Fisheries

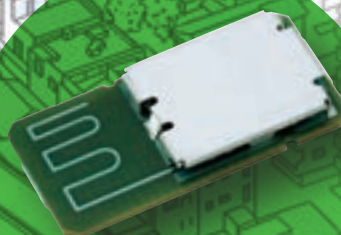
- Saving labor, improving efficiency
- Managing crop yields
- Managing quality

Logistics/ Distribution

- Realizing traceability
- Monitoring drivers
- Increasing work efficiency

Houses and Home Appliances

- Ensuring security
- Managing home appliances
- Monitoring people



Bluetooth® Smart Modules

Assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2017	As of September 30 2017	As of September 30 2017
Current assets			
Cash and cash equivalents	¥ 10,011	¥ 10,890	\$ 96,603
Time deposits	106	99	878
Notes and accounts receivable, trade	14,853	16,345	144,992
Allowance for doubtful accounts	(48)	(49)	(435)
Inventories	7,199	7,712	68,411
Deferred tax assets	431	854	7,576
Other current assets	1,719	1,100	9,758
	34,274	36,954	327,810
Investments and long-term loans			
Investment securities	2,305	2,635	23,374
Long-term loans receivable	117	126	1,118
Asset for retirement benefits	860	921	8,170
Other investments	554	578	5,127
Allowance for doubtful accounts	(102)	(87)	(772)
	3,736	4,174	37,027
Property, plant and equipment			
Land	7,027	7,044	62,486
Buildings	21,275	21,363	189,506
Machinery and vehicles	22,025	22,395	198,661
Tooling and office furniture	23,494	23,506	208,516
Construction in progress	100	153	1,357
	73,923	74,463	660,543
Less-accumulated depreciation	(51,953)	(52,900)	(469,263)
	21,970	21,563	191,280
Other assets			
Deferred tax assets	487	669	5,935
Intangible assets	1,850	1,696	15,045
	2,337	2,366	20,988
Total assets	¥ 62,318	¥ 65,058	\$ 577,113

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 112.73 = U.S. \$1.00.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars
	As of March 31 2017	As of September 30 2017	As of September 30 2017
Current liabilities			
Short-term loans payable	¥ 13,592	¥ 14,832	\$ 131,571
Notes and accounts payable, trade	6,118	6,438	57,110
Accrued income taxes	647	579	5,136
Accrued bonuses	626	774	6,866
Accrued directors' and officers' bonuses	24	—	—
Accounts payable, non-trade	1,407	1,487	13,191
Other current liabilities	1,710	2,034	18,043
	24,127	26,145	231,926
Long-term liabilities			
Long-term debt	4,855	4,646	41,214
Deferred tax liabilities	974	1,009	8,951
Accrued directors' and officers' retirement benefits	203	184	1,632
Liability for retirement benefits	54	68	603
Other long-term liabilities	784	775	6,875
	6,872	6,684	59,292
Net assets			
Shareholders' equity			
Common stock			
Authorized : 195,961,274 shares			
Issued : 75,000,000 shares	7,996	7,996	70,931
Capital surplus	12,057	12,057	106,955
Retained earnings	16,614	17,183	152,426
Treasury stock	(3,995)	(3,998)	(35,465)
	32,672	33,239	294,855
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities	348	507	4,497
Net unrealized gains (losses) from hedging instruments	(3)	(10)	(89)
Foreign currency translation adjustments	(1,976)	(1,689)	(14,983)
Retirement benefits asset and liability adjustments	263	181	1,606
	(1,368)	(1,010)	(8,959)
Non-controlling interests	14	—	—
	31,318	32,228	285,887
Total liabilities and net assets	¥ 62,318	¥ 65,058	\$ 577,113

Consolidated Statements of Income

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2016	Six months ended September 30 2017	Six months ended September 30 2017
Net sales	¥ 31,708	¥ 29,393	\$ 260,738
Cost of sales	26,036	23,839	211,470
Selling, general and administrative expenses	4,924	4,954	43,946
Operating income	747	598	5,305
Other income			
Interest and dividend income	45	48	426
Rent income	624	614	5,447
Foreign exchange gain, net	—	72	639
Gain on sales of fixed assets	40	41	364
Gain on sales of investment securities	31	—	—
Gain on redemption of investment securities	—	46	408
Gain on reversal of share subscription rights	20	—	—
Other	198	151	1,339
Total other income	961	974	8,640
Other expenses			
Interest expense	67	55	488
Rent expense	297	280	2,484
Foreign exchange loss, net	2,021	—	—
Loss on disposal of fixed assets	136	58	515
Loss on valuation of investment securities	—	178	1,579
Loss on impairment of fixed assets	—	271	2,404
Other	80	54	479
Total other expenses	2,603	899	7,975
Profit (loss) before income taxes	(895)	674	5,979
Income taxes			
Current	274	380	3,371
Deferred	(67)	(591)	(5,243)
Profit (loss)	(1,102)	885	7,851
Loss attributable to non-controlling interests	(22)	(14)	(124)
Profit (loss) attributable to owners of parent	¥ (1,079)	¥ 900	\$ 7,984

Yen

U.S. dollars

Per share data			
Profit (loss) attributable to owners of parent			
Basic	¥ (15.87)	¥ 13.62	\$ 0.12

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 112.73 = U.S. \$1.00.

Consolidated Statements of Comprehensive Income

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2016	Six months ended September 30 2017	Six months ended September 30 2017
Profit (loss)	¥ (1,102)	¥ 885	\$ 7,851
Other comprehensive income			
Net unrealized gains (losses) on other securities	(53)	158	1,402
Net unrealized gains (losses) from hedging instruments	—	(6)	(53)
Foreign currency translation adjustments	(1,263)	286	2,537
Retirement benefits asset and liability adjustments	(54)	(81)	(719)
Total other comprehensive income	(1,371)	357	3,167
Comprehensive income	¥ (2,473)	¥ 1,243	\$ 11,026
Total comprehensive income attributable to:			
Owners of parent	¥ (2,451)	¥ 1,257	\$ 11,151
Non-controlling interests	(22)	(14)	(124)



Consolidated Statements of Cash Flows

SMK Corporation and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30 2016	Six months ended September 30 2017	Six months ended September 30 2017
Cash flows from operating activities			
Profit (loss) before income taxes	¥ (895)	¥ 674	\$ 5,979
Depreciation and amortization	2,136	2,085	18,496
Loss on impairment of fixed assets	—	271	2,404
Amortization of goodwill	52	—	—
Increase (decrease) in accrued bonuses	(246)	144	1,277
Increase (decrease) in accrued directors' and officers' retirement benefits	11	(19)	(169)
Increase (decrease) in asset and liability for retirement benefits	(69)	(166)	(1,473)
Interest and dividend income	(45)	(48)	(426)
Interest expense	67	55	488
(Gain) loss on sales of investment securities	(31)	(0)	(3)
(Gain) loss on redemption of investment securities	—	(46)	(408)
(Gain) loss on sales of fixed assets	(40)	(40)	(355)
(Gain) loss on revaluation of investment securities	—	178	1,579
Loss on disposal of fixed assets	136	58	515
(Increase) decrease in notes and accounts receivable, trade	(2,106)	(1,183)	(10,494)
(Increase) decrease in inventories	(314)	(416)	(3,690)
Increase (decrease) in notes and accounts payable, trade	3,321	(105)	(931)
Increase (decrease) in accounts receivable, non-trade	880	250	2,218
Increase (decrease) in accounts payable, non-trade	(2,399)	248	2,200
Other	131	462	4,098
Subtotal	588	2,402	21,308
Interest and dividends received	46	48	426
Interest paid	(62)	(54)	(479)
Income taxes paid	(328)	(436)	(3,868)
Net cash provided by (used in) operating activities	243	1,959	17,378
Cash flows from investing activities			
Payments into time deposits	(44)	(39)	(346)
Proceeds from time deposits	40	49	435
Purchases of fixed assets	(2,480)	(1,821)	(16,154)
Proceeds from sales of fixed assets	159	62	550
Payments for disposal of fixed assets	—	(29)	(257)
Purchases of intangible fixed assets	(134)	(13)	(115)
Purchases of investment securities	(25)	(218)	(1,934)
Proceeds from sales of investment securities	50	0	0
Proceeds from redemption of investment securities	—	68	603
Payments for execution of loans	(25)	(20)	(177)
Collection of loans receivable	24	47	417
Net cash provided by (used in) investing activities	(2,434)	(1,914)	(16,979)
Cash flows from financing activities			
Increase (decrease) in short-term loans payable	5,395	487	4,320
Proceeds from long-term debt	800	1,950	17,298
Payments of long-term debt	(1,394)	(1,408)	(12,490)
Purchases of treasury stock	(1,575)	(1)	(9)
Proceeds from sales of treasury stock	24	—	—
Dividends paid	(559)	(329)	(2,918)
Net cash provided by (used in) financing activities	2,690	697	6,183
Effect of exchange rate changes on cash and cash equivalents	(164)	136	1,206
Increase (decrease) in cash and cash equivalents	335	878	7,789
Cash and cash equivalents at beginning of the year	10,668	10,011	88,805
Cash and cash equivalents at end of six months and the year	¥ 11,003	¥ 10,890	\$ 96,603

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥ 112.73 = U.S. \$1.00.

Corporate Data

Name	SMK Corporation
Established	April 3, 1925
Registered	January 15, 1929
Primary business	Manufacture and sale of various parts for electro-communication device and electronic equipment
Capital	¥7,996,828,021
Stock exchange listing	Tokyo Stock Exchange
Administrator of shareholders register	Mitsubishi UFJ Trust and Banking Corporation
Independent auditors	Ernst & Young ShinNihon LLC Tokyo, Japan
Employees (SMK-Group)	5,968
Head office	5-5, Togoshi 6-chome, Shinagawa-ku, Tokyo 142-8511, Japan Tel : +81-3-3785-1111 Fax : +81-3-3785-1878

Shares and Shareholders

Authorized shares	195,961,274	
Issued shares	75,000,000	
Number of shareholders	6,974	
Major shareholders (top ten)		
	Shares owned (1,000 shares)	Percentage of shares (%)
SMK Cooperating Company Share Holding Association	3,376	5.10
Mizuho Bank, Ltd.	3,287	4.96
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
SMK Employees Share Holding Association	1,922	2.90
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)	1,441	2.18
Terutaka Ikeda	1,420	2.14

Note: SMK holds 8,749 thousand shares of treasury stock, but these are excluded from the above list. Figures for percentage of shares are calculated excluding the treasury stock.

Officer Introduction

Directors

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

Auditors

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

Corporate Executive Officers

Executive Vice President, Chief Financial Officer	Kohei Ohgaki
Executive Vice President	Shigechika Yanagi
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, Chief Information Officer	Hiroshi Usami
Vice President	Atsushi Obinata
Vice President	Fumikazu Hata

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*ECHONETLite is a trademark of the ECHONET CONSORTIUM.

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

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

