

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 24, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-49602

SYNAPTICS INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1251 McKay Drive

San Jose, California

(Address of principal executive offices)

77-0118518

(I.R.S. Employer
Identification No.)

95131

(Zip Code)

(408) 904-1100

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.001 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of Common Stock held by nonaffiliates of the registrant (31,349,525 shares), based on the closing price of the registrant's Common Stock as reported on the NASDAQ Global Select Market on December 23, 2016 of \$54.09, was \$1,695,807. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

As of August 11, 2017, there were outstanding 33,703,272 shares of the registrant's Common Stock, par value \$.001 per share.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for the 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

SYNAPTICS INCORPORATED
ANNUAL REPORT ON FORM 10-K
FISCAL 2017

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Statement Regarding Forward-Looking Statements

This Report on Form 10-K for the year ended June 24, 2017 contains forward-looking statements that are subject to the safe harbors created under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Act of 1934, as amended (the "Exchange Act"). Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business, and can be identified by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements may include words such as "expect," "anticipate," "intend," "believe," "estimate," "plan," "target," "strategy," "continue," "may," "will," "should," variations of such words, or other words and terms of similar meaning. All forward-looking statements reflect our best judgment and are based on several factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Such factors include, but are not limited to, the risks as identified in the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections in this Report on Form 10-K, and other risks as identified from time to time in our Securities and Exchange Commission reports. Forward-looking statements are based on information available to us on the date hereof, and we do not have, and expressly disclaim, any obligation to publicly release any updates or any changes in our expectations, or any change in events, conditions, or circumstances on which any forward-looking statement is based. Our actual results and the timing of certain events could differ materially from the forward-looking statements. These forward-looking statements do not reflect the potential impact of any mergers, acquisitions, or other business combinations that had not been completed as of the date of this filing.

Statements made in this report, unless the context otherwise requires, include the use of the terms "us," "we," "our," the "Company" and "Synaptics" to refer to Synaptics Incorporated and its consolidated subsidiaries.

ITEM 1. BUSINESS**Overview**

We are a leading worldwide developer and supplier of custom-designed human interface semiconductor product solutions that enable people to interact more easily and intuitively with a wide variety of mobile computing, communications, entertainment, and other electronic devices. We currently generate revenue from the markets for smartphones, tablets, personal computer, or PC, products, primarily notebook computers, and other select electronic devices, including devices in automobiles, with our customized human interface solutions. Every solution we deliver either contains or consists of our touch-, display driver- or fingerprint authentication-based semiconductor solutions, which includes our chip, customer-specific firmware, and software.

We are a market leader in providing human interface product solutions to our target markets. Our original equipment manufacturer, or OEM, customers include most of the world's largest OEMs for smartphones and tier one PC OEMs. We generally supply our human interface product solutions to our OEM customers through their contract manufacturers, which take delivery of our products and pay us directly for such products.

Our website is located at www.synaptics.com. Through our website, we make available, free of charge, all our Securities and Exchange Commission, or SEC, filings, including our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, as well as Form 3, Form 4, and Form 5 Reports for our directors, officers, and principal stockholders, together with amendments to those reports filed or furnished pursuant to Sections 13(a), 15(d), or 16 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. These reports are available on our website promptly after their electronic filing with the SEC. Our website also includes corporate governance information, including our Code of Conduct, our Code of Ethics for the CEO and Senior Financial Officers, and our Board Committee Charters. The contents of our website are not incorporated into or deemed to be a part of this report.

We were initially incorporated in California in 1986 and were re-incorporated in Delaware in 2002. Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. The fiscal years presented in this report were 52-week periods ended June 24, 2017, June 25, 2016 and June 27, 2015. For ease of presentation, this report labels the reporting periods as ending on calendar month- or year-end dates as of and for all periods presented, unless otherwise indicated.

Mobile Product Applications Markets

We believe our intellectual property portfolio, engineering know-how, systems engineering experience, technological expertise, and experience in providing human interface product solutions to major OEMs of electronic devices position us to be a key technological enabler for multiple consumer electronic devices targeted to meet the growing mobile product applications markets, which include all discrete touch controller products, display driver (DDIC) products, touch and display driver integration (TDDI) products, and fingerprint authentication-based products. Based on these strengths, we are pursuing opportunities created by the growth of mobile computing communications, mobile product applications and entertainment devices. Mobile product applications include smartphones, tablets, large touchscreen applications, as well as a variety of mobile, handheld, wireless, and entertainment devices. Our array of human interface product solutions for mobile product applications are designed to enrich the interface on smartphones, tablets, and peripherals, allowing the user to access their devices or applications through fingerprint recognition, to view the screen on their devices, and to more easily use or navigate complex menu systems on their devices. We believe our existing technologies, our range of product solutions, and our emphasis on ease of use, small size, low power consumption, advanced functionality, secure access, durability, reliability, and simplified security enable us to serve multiple aspects of the markets for mobile product applications and other electronic devices.

Our human interface product solutions for mobile applications constitute a substantial percentage of our net revenue. Net revenue for our human interface product solutions in mobile product applications accounted for approximately 87%, 88%, and 85% of our net revenue for fiscal 2017, 2016, and 2015, respectively. Our ongoing success in serving these markets will depend upon the continued growth of the smartphone portion of the overall mobile phone market; our continued growth in the tablet and large touchscreen applications markets; our ability to demonstrate to mobile product applications OEMs the advantages of our human interface product solutions in terms of performance, usability, size, simplified security, durability, power consumption, integration, and industrial design possibilities; and the success of products utilizing our human interface product solutions. In addition, our success will depend on our ability to demonstrate to mobile product applications OEMs the advantages of our DDIC products, our TDDI products, our flexible touchscreen and fingerprint sensor

fulfillment model and systems engineering expertise, including our ability to successfully deliver DDIC products into the OLED smartphone market. This is critical as our LCD DDIC product revenue is expected to continue to decline.

Industry projections for the smartphone market for the 2017 to 2018 calendar year period show a growth rate of approximately 4.5%, reflecting the trend towards greater functionality in smartphone products to meet and address the expanded needs and expectations of the consumer-oriented market. These products require a simple, durable, and intuitive human interface product solution to access their device or application, including to authenticate the user through fingerprint recognition, and to enable the user to view and navigate efficiently through menus and scroll through information contained in the host device. We believe we are well positioned to take advantage of this growing market based on our technology, engineering know-how, systems engineering experience, and the acceptance of our human interface product solutions by OEMs in this market.

The tablet and large touchscreen markets also represent an opportunity for our touchscreen and fingerprint sensor intellectual property portfolio, engineering know-how, and technological expertise. Touchscreen, display driver, and fingerprint sensor solutions required for the tablet market range from basic e-book vendor solutions to multi-function solutions designed for more complex operating systems. Tablet-based capacitive touch interface devices are now offered by several leading PC and mobile phone OEMs and utilize various operating systems, including Android and Windows 10.

PC Product Applications Market

We provide custom human interface product solutions for navigation, cursor control, and for access to devices or applications through fingerprint recognition for many of the world's premier PC OEMs. These functions are offered as stand-alone and integrated touch pad plus fingerprint recognition solutions. In addition to notebook applications, other PC product applications for our technology include peripherals, such as keyboards, mice, and desktop product applications. Net revenue for our human interface product solutions for PC product applications accounted for approximately 13%, 12%, and 15% of our net revenue for fiscal 2017, 2016, and 2015, respectively.

While the latest industry projections for notebook units show a declining rate of less than 1% from the 2017 to 2018 calendar year period, we continue to expand our available product offerings through technology development and acquisitions enabling us to increase our product content within each notebook unit. We are also applying our technologies to enable adoption of fingerprint recognition solutions in all-in-one and desktop products to broaden our market opportunities. Based on the strength of our technology and engineering know-how, we believe we are well positioned to continue to take advantage of opportunities in the PC product applications market.

Internet of Things (IoT) Applications Market

On July 25, 2017, we completed our acquisition of Conexant Systems, LLC, or Conexant, a technology leader in voice and audio processing solutions for the smart home. We now offer an advanced family of hardware and software audio solutions that are used in demanding far field voice, headset, and PC applications, and a robust family of hardware imaging solutions and software that are used in fax modems and mobile printing applications. We will begin to report financial results for the IoT applications market in our consolidated financial statements for the first quarter of our fiscal 2018.

Our Strategy

Our objective is to continue to enhance our position as a leading supplier of human interface product solutions for the mobile product applications markets, including smartphones, tablets and large touchscreens, and for the PC product applications market. Key aspects of our strategy to achieve this objective include those set forth below.

Extend Our Technological Leadership

We plan to utilize our extensive intellectual property portfolio, engineering know-how, and technological expertise to extend the functionality of our current product solutions and offer new and innovative product solutions to customers across multiple markets. We intend to continue utilizing our technological expertise to reduce the overall size, weight, cost, and power consumption of our human interface product solutions while increasing their applications, capabilities, and performance. We plan to continue enhancing the ease of use and functionality of our solutions. We also plan to expand our research and development efforts through increased investment in our engineering activities, including ongoing enhancement of our TDDI technology and development of OLED technology, the hiring of key engineering personnel, and strategic acquisitions and alliances. We believe that these efforts will enable us to meet customer expectations and achieve our goal of

supplying, on a timely and cost-effective basis, the most advanced, easy-to-use, functional human interface semiconductor product solutions to our target markets.

Enhance Our Position in the Smartphone, Tablet, and PC Product Application Markets

We intend to continue introducing market-leading human interface product solutions in terms of performance, power consumption, functionality, size, and ease of use for the smartphone, tablet, and PC product applications markets. We plan to continue enhancing our customers' industrial design alternatives and device functionality through innovative product development, in order to enhance and grow our position within our target markets. As the high-end market for smartphones shifts to OLED solutions, we intend to deliver DDIC products to support that market.

Capitalize on Growth of New and Evolving Markets

We intend to capitalize on the growth of new and evolving markets, such as the IoT, smart home, Augmented Reality (AR)/Virtual Reality (VR), voice enabled assistants, wearables, tablet market, ultrabook and convertible portions of the PC market, and automotive market, brought about by the convergence of computing, communications, and entertainment devices. We plan to build upon our existing innovative, intuitive human interface semiconductor product solutions and continue to address the evolving portability, connectivity, security, and functionality requirements of these new markets. We plan to offer these solutions to existing and potential OEM customers to enable increased functionality, reduced size, lower cost, simplified security, enhanced industrial design features, and to enhance the user experience of our OEMs' products. We plan to utilize our existing technologies as well as aggressively pursue new technologies as new markets evolve that demand new solutions.

Emphasize and Expand Customer Relationships

We plan to emphasize and expand our strong and long-standing customer relationships and seek to build and establish successful relationships with new customers. In each market we serve, we plan to provide the most advanced human interface product solutions for our customers' products. We believe that our human interface product solutions enable our customers to deliver simplified security and a positive user experience and to differentiate their products from those of their competitors. We continually strive to enhance the competitive position of our customers by providing them with innovative, distinctive, and high-quality human interface product solutions on a timely and cost-effective basis. To do so, we work continually to improve our productivity, reduce costs, and increase the speed of delivery of our human interface product solutions. We endeavor to streamline the entire design and delivery process through our ongoing design, engineering, and production improvement efforts. We also focus on providing timely support to our customers after their purchase of our solutions.

We plan to increase our business with existing customers and attract new customers by offering fingerprint sensor solutions, display driver solutions, and both custom designed touch solutions, as well as design tools, a family of capacitive sensing ASICs, technical support and documentation to assist in the development of human interface designs in products such as smartphones, tablets, notebooks, PC peripherals, and other digital entertainment devices. We offer our customers a choice of determining the most optimal way to meet their emerging and growing touch solution needs: our chip solutions or our traditional custom module solutions, which enable customers to utilize our proprietary solutions together with third-party components and assembly. Our chip solution consists of our proprietary integrated circuit, customer-specific firmware, and software. Touchscreen applications for mobile phones, tablets, and notebooks are primarily a chip solution. Display driver products for mobile phones and tablets are a chip solution. Automotive products are a chip solution. Fingerprint sensor products are a module solution.

Pursue Strategic Relationships and Acquisitions

We intend to develop and expand strategic relationships to enhance our ability to offer value-added human interface product solutions to our customers, penetrate new markets, and strengthen the technological leadership of our product solutions. We also intend to evaluate the potential acquisition of companies in order to expand our technological expertise and to establish or strengthen our presence in selected target markets. On June 11, 2017, we signed definitive agreements to acquire Conexant, a technology leader in voice and audio processing solutions for the smart home (the "Conexant Acquisition"), and the multimedia solutions business of Marvell Technology Group, or Marvell, a leading provider of advanced processing technology for video and audio applications for the smart home (the "Marvell Business Acquisition"), to extend our reach into the IoT market. On July 25, 2017, we closed the acquisition of Conexant and anticipate we will close the acquisition of the Marvell Business Acquisition in the first quarter of fiscal 2018.

We plan to expand and diversify our production capacity through third-party relationships, thereby strengthening our virtual manufacturing platform. This strategy results in a scalable business model, enables us to concentrate on our core competencies of research and development and product design and engineering, and reduces our capital expenditures and working capital requirements. Our virtual manufacturing strategy allows us to maintain a variable cost model, in which we do not incur most of our manufacturing costs until our product solutions have been shipped and billed to our customers.

Competitive Advantages

We develop and advance human interface technologies that provide simplified security and enrich the user's experience in interacting with the user's mobile computing, communications, and entertainment devices. We engage with our customers in the design of their custom products and offer product solutions ranging from chips, which may include customer-specific firmware, to full module solutions. Our innovative and intuitive human interface product solutions can be engineered to accommodate many diverse platforms, and our expertise in human factors and usability can be utilized to improve the features and functionality of our solutions. Our extensive array of technologies includes chips, firmware, software, mechanical and electrical designs, fingerprint authentication, pattern recognition, touch- and multi-finger touch-sensing technologies, and display driver technologies.

Our human interface products are custom engineered, total solutions for our customers, and include sensor design, module layout, chips, firmware, and software features for which we provide manufacturing and design support, and device testing. This allows us to be a one-stop supplier for complete human interface design from the concept prototyping, to product development, to manufacturing, to testing and support. Through our engineering know-how and technological expertise, we provide our customers with solutions that address their individual design requirements and result in high-performance, feature-rich, and reliable interface solutions. We believe our interface solutions offer the following characteristics:

- *Ease of Use.* Our interface solutions offer the ease of use and intuitive interaction that users demand.
- *Small Size.* The small, thin size of our interface solutions enables our customers to reduce the overall size and weight of their products in order to satisfy consumer demand for portability.
- *Low Power Consumption.* The low power consumption of our interface solutions enables our customers to offer products with longer battery life and/or smaller battery capacity.
- *Advanced Functionality.* Our interface solutions offer advanced features, such as force sensing, virtual scrolling, customizable tap zones, edge motion, and tapping and dragging icons, to enhance the user experience.
- *Reliability.* The reliability of our interface solutions satisfies consumer requirements for dependability, which is a major component of consumer satisfaction.
- *Durability.* Our interface solutions withstand repeated use, harsh physical treatment, and temperature fluctuations while providing an enduring superior level of performance.
- *Simplified Security.* Our fingerprint authentication solutions protect the user's identity, while simplifying the user experience for electronic devices.

We believe these characteristics will enable us to continue to enhance our position as a technological enabler within our target markets.

Our emphasis on technological leadership and design capabilities positions us to provide unique human interface product solutions that address specific customer requirements, as well as satisfy our customers' specifications, including features and functionality, industrial design, security, mechanical, and electrical requirements. Our products also offer unique integration options, including the ability to place our capacitive sensors underneath the plastic or glass of the device, allowing for streamlined and stylized designs, and LED integration to indicate status or enhance industrial design.

Our long-term working relationships with large, global OEMs provide us with the experience to satisfy their demanding design specifications and other requirements. Our custom product solutions provide OEMs with numerous benefits, including the following:

- ease of system integration;
- reduced product development costs;

- shorter product time to market;
- compact and efficient platforms;
- improved product functionality and utility;
- product differentiation; and
- continuity of supply.

Our collaborative efforts with our customers reduce the duplication and overlap of investment and resources, enabling our OEM partners to devote more time and resources to the market development of their differentiated products.

We utilize capacitive technology, rather than resistive or mechanical technology, in our touch and fingerprint sensor solutions. Unlike resistive and mechanical technology, our solid-state capacitive technology has no moving parts and does not require activation force, thereby providing a durable, more reliable solution that can be integrated into both curved and flat surfaces. Capacitive technologies also allow for much thinner sensors than resistive or mechanical technology, providing for slimmer, more compact and unique industrial designs.

Products

Our family of product solutions allows our customers to solve their interface needs and differentiate their products from those of their competitors.

ClearPad®

Our ClearPad family of products enables the user to interact directly with the display on electronic devices, such as smartphones and tablets. Our ClearPad has distinct advantages, including low-profile form factor; high reliability, durability, and accuracy; and low power consumption. We typically sell our ClearPad solution as a chip or chip assembly, together with customer-specific firmware, to sensor manufacturers to use in the production of both discrete and integrated touchscreen products. A discrete touchscreen product typically consists of a transparent, thin capacitive sensor that can be placed over any display, such as a Liquid Crystal Display, or LCD, or an Organic Light Emitting Diode, or OLED, and combined with a flexible circuit material and a touch controller chip. A display integrated touchscreen product typically consists of a capacitive touch sensor embedded into the LCD panel, combined with a flexible circuit material and a touch controller chip. Each ClearPad solution is custom designed to integrate customer-specific input preferences such as force sensing, pen input, gloved finger recognition, proximity, finger hover, and air swipe functionality.

Our ClearPad Series 3 product family can provide full-time tracking of ten or more fingers simultaneously, and features stylus support as well as support for various sensor configurations, including traditional discrete sensors; sensor-on-lens, which includes sensor electrodes patterned on the bottom of the glass cover lens; on-cell, which includes sensor electrodes patterned on the display glass; and in-cell, which includes sensor electrodes patterned inside the LCD glass.

Our ClearPad Series 7 product family is designed to meet the requirements of the large touchscreen market for products more closely related to notebooks, slates, tablets, and similar devices. Our ClearPad Series 7 products include low-cost, single-chip touchscreen solutions and multi-chip touchscreen solutions designed for devices that have more demanding user input requirements, such as gaming applications.

ClearView™

Our ClearView family of DDICs offers advanced image processing and low power technology for entry-level smartphones through high-resolution tablets. ClearView products include adaptive image processing that works in concert with proprietary customization options to enable development of efficient and cost-effective solutions and faster time to market. Our DDICs offer automatic regional control of color balance that optimizes light and dark areas of an image simultaneously, and sunlight readability enhancement capabilities that optimize image quality under various lighting conditions.

TouchView™

Our TouchView products integrate touch and display technologies to deliver advanced performance and simplified design. Our proprietary algorithms synchronize touch sensing with display driving, effectively eliminating display-induced

noise and improving capacitive sensing performance. TouchView display integration allows for thinner touchscreens with narrower bezels for greater industrial design flexibility. TouchView is available in two-chip and single-chip (TDDI) configurations, providing a range of solutions suitable for hybrid and full in-cell touchscreen designs. Both configurations reduce manufacturing complexity and simplify the supply chain for OEM device manufacturers.

Natural ID™

Our Natural ID family of fingerprint ID products is designed for use in smartphones, tablets, notebook PCs, PC peripherals, and other applications. Thin form factors provide industrial design flexibility, while robust matching algorithms and anti-spoofing technology provide strong security. The family spans a range of form factors, colors, and materials suitable for design on the front, back or side of a device.

Natural ID products are designed to be compatible with Fast IDentity Online (FIDO) protocols, enhancing security and interoperability with a broad range of solutions. FIDO was formed to enhance online authentication by developing open, scalable technical standards to help facilitate the adoption of robust, easy to use authentication that reduces the reliance on passwords. Natural ID products increase the security of mobile and PC products while maintaining ease of use for the customer.

TouchPad™

Our TouchPad family of products, which can take the place of, and exceed the functionality of a mouse, is a small, touch-sensitive pad that senses the position and movement of one or more fingers on its surface through the measurement of capacitance. Our TouchPad provides an accurate, comfortable, and reliable method for screen navigation, cursor movement, and gestures, and provides a platform for interactive input for both the consumer and corporate markets. Our TouchPad solutions allow our customers to provide stylish, simple, user-friendly, and intuitive human interface semiconductor product solutions. Our TouchPad solutions also offer various advanced features, including scrolling, customizable tap zones, tapping and dragging of icons, and device interaction.

Our TouchPad solutions are available in a variety of sizes, electrical interfaces, and thicknesses, and are designed to meet the electrical and mechanical specifications of our customers. Customized firmware and driver software ensure the availability of specialized features. As a result of their solid-state characteristics, our TouchPad solutions have no moving parts that wear out, resulting in a robust and reliable input solution that also allows for unique industrial designs.

SecurePad™

Our SecurePad integrates our Natural ID fingerprint sensor directly into the TouchPad area, improving usability for end users and simplifying the supply chain for notebook PC manufacturers.

ClickPad™

Our ClickPad introduces a clickable mechanical design to the TouchPad solution, eliminating the need for physical buttons. The button-less design of our ClickPad allows for unique, intuitive industrial design and makes it an excellent alternative to conventional input and navigation devices. Our ClickPad is activated by pressing down on the internal tact switch to perform left-button or right-button clicks and provides tactile feedback similar to pressing a physical button. The latest version of ClickPad features ClickEQ™, a mechanical solution that provides uniform click depth to maximize the surface area available for gestures and improves click performance over hinged designs.

ForcePad®

Our ForcePad is a thinner version of our ClickPad, which introduces a new dimension in control through the addition of variable force sensitivity. ForcePad is designed to provide consistent performance across OEM models through its design intelligence and self-calibration features. By detecting the amount of force applied, ForcePad is engineered to enable more intuitive and precise user interactions in operating system controls and applications. Designed with thin and light notebooks in mind, ForcePad is 40% thinner than a conventional touch pad.

Other Products

Other product solutions we offer include Dual Pointing Solutions, TouchStyk™, TouchButtons™ and display interface products. Our dual pointing solutions offer TouchPad with a pointing stick in a single notebook computer, enabling users to select their interface of choice. TouchStyk is a self-contained pointing stick module that uses capacitive technology similar to that used in our TouchPad. TouchButtons provide capacitive buttons and scrolling controls for an easy-to-use and stylish interface solution designed to replace mechanical buttons. Our display interface products deliver highly integrated, scalable video and audio connectivity to a broad array of applications for notebook PCs, enterprise systems and consumer devices. We will also begin, in our fiscal 2018, to offer a range of AudioSmart® and ImagingSmart™ solutions. AudioSmart products bring forward optimum analog, mixed-signal and DSP technologies for high-fidelity voice and audio processing. AudioSmart's far-field solutions enable accurate voice command recognition from a distance, while the personal audio solutions enable active noise cancellation and high performance for headsets. ImagingSmart products leverage image processing IP, JPEG encoders and DSP technology to deliver a wide range of fax, modem, digital video and printer solutions for home, mobile and imaging applications.

Capabilities

Our products are supported by a variety of feature capabilities allowing for further product differentiation and easy customer integration.

Enhanced Gesture Recognition™

Our Enhanced Gesture Recognition is a suite of ClearPad gestures included in our firmware. Customers can easily enable SingleTouch gestures, such as Tap, Double Tap, Press, and Flick; DualTouch gestures, such as Pinch and Pivot Rotate; and multi-finger gestures for ClearPad directly from our touch module firmware. No additional recognition software is required on the host processor to implement these gestures. This approach lowers host processor resource requirements and ensures that gestures are implemented using our pattern-recognition technology.

SignalClarity™ Technology

SignalClarity technology provides an improved signal-to-noise ratio for enhanced touch detection and noise immunity and enables smartphone OEMs to support inexpensive chargers and work with multiple display types. SignalClarity technology works with various display configurations, including discrete sensors, sensor-on-lens, on-cell, and in-cell touchscreen designs.

TypeGuard™

TypeGuard technology allows the system to differentiate between a finger and a palm, virtually eliminating accidental cursor movements, scrolling and clicks.

Proximity Sensing

Our proximity sensing technology enables users to interact with consumer electronics without touch. With this technology, sensors in a device, such as a notebook PC, mobile phone, peripheral, or digital photo frame, sense the presence of a user's finger or hand to activate a function. These sensors can illuminate LEDs for discoverable buttons, immediately wake devices from power-saving mode, or activate other functionalities.

TDsync™

TDsync technology effectively eliminates problems caused by display-induced noise in the touch subsystem, improving capacitive sensing performance and reducing errors to deliver a better user experience. TDsync technology works with in-cell designs, including both two-chip and single-chip controller implementations.

ClearForce™

ClearForce gives our ClearPad and TouchView solutions a new dimension in user interfaces, by enabling features such as scrolling, zoom, text or photo editing, and enabling users to engage in gaming or other multi-touch applications by applying variable force with a finger or stylus.

Design Studio™

Our Design Studio software streamlines the touchscreen design process, while reducing total design cost and accelerating time to market. This tool suite assists designers in creating optimal products that are tightly aligned with target design and performance specifications. Design Studio works seamlessly with multiple display configurations and stack-ups, including discrete sensor, on-glass-sensor, on-cell, and in-cell solutions. Design Studio includes tuning and configuration wizards, production test tools, and diagnostics tools that configure and test chips and modules built using Synaptics' capacitive sensing technology.

SentryPoint™

Our SentryPoint is a suite of advanced security features available on our Natural ID fingerprint products. Capabilities include fingerprint matching directly on the sensor chip, advanced anti-spoofing technology, a cryptographic security engine, security key module generation, 256-bit AES encryption and TLS secure communications between the fingerprint subsystem and the host platform.

Image Studio™

Our Image Studio software simplifies the display design process, reducing design costs and accelerating time to market. This tool suite assists designers in creating displays that are tightly aligned with target design and performance specifications. Image Studio works seamlessly with all display drivers and can be used for tuning on the panel or at the phone level. Image Studio includes tuning and configuration wizards and diagnostics tools that configure and test the modules built using Synaptics' DDICs.

Technologies

We have developed and own an extensive array of technologies, encompassing ASICs, firmware, software, mechanical and electrical designs, display systems, pattern recognition, and touch-sensing technologies. We continue to develop technology in these areas. We believe these technologies and the related intellectual property rights create barriers for competitors and allow us to provide high-value human interface semiconductor product solutions in a variety of high-growth markets.

Our broad line of human interface semiconductor product solutions is currently based upon the following key technologies:

- capacitive position sensing technology;
- capacitive force sensing technology;
- transparent capacitive position sensing technology;
- pattern recognition technology;
- mixed-signal integrated circuit technology;
- display systems and circuit technology;
- capacitive active pen technology;
- multi-touch technology;
- proprietary microcontroller technology;
- proprietary vector co-processor technology;
- capacitive fingerprint sensing technology; and
- optical fingerprint sensing technology.

In addition to these technologies, we develop firmware and device driver software that we incorporate into our products, which provide unique features, such as virtual scrolling, customizable tap zones, and tapping and dragging of icons. In addition, our ability to integrate all our products to interface with major operating systems provides us with a competitive advantage.

Capacitive Position Sensing Technology. This technology provides a method for sensing the presence, position, and contact area of one or more fingers or a stylus on a flat or curved surface. Our technology works with very light touch, supports full multi-touch capabilities, and provides highly responsive cursor navigation, scrolling, and selection. It uses no moving parts, can be implemented under plastic, and is extremely durable. Our technology can also track one or more fingers in proximity to the touch surface.

Capacitive Force Sensing Technology. This technology senses the direction and magnitude of a force applied to an object. The object can either move when force is applied, like a typical joystick used for gaming applications, or it can be isometric, with no perceptible motion during use, like our TouchStyk, ForcePad, or ClearForce. The primary competition for this technology is resistive strain gauge technology. Resistive strain gauge technology requires electronics that can sense very small changes in resistance, presenting challenges to the design of that circuitry, including sensitivity to electrical noise and interference. Our electronic circuitry determines the magnitude and direction of an applied force, permits very accurate sensing of tiny changes in capacitance, and minimizes electrical interference from other sources. Our capacitive force sensing technology can be integrated with our position sensing technology.

Transparent Capacitive Position Sensing Technology. This technology allows us to build transparent sensors for use with our capacitive position sensing technology, such as in our ClearPad. It has all the advantages of our capacitive position sensing technology and allows for visual feedback when incorporated with a display device, such as an LCD. Our technology supports full multi-touch, does not require calibration, does not produce undesirable internal reflections, and has reduced power requirements, allowing for longer battery life.

Pattern Recognition Technology. This technology is a set of software algorithms and techniques for converting real world data, such as gestures and handwriting, into a digital form that can be recognized and manipulated within a computer. Our technology provides reliable gesture decoding and handwriting recognition, and can be used in other applications such as signature verification for a richer user experience.

Mixed-Signal Integrated Circuit Technology. This hybrid analog-digital integrated circuit technology combines the power of digital computation with the ability to interface with non-digital, real-world signals, such as the position of a finger or stylus on a surface. Our patented design techniques permit us to utilize this technology to optimize our core ASIC engine for all our products. Our mixed-signal technology consists of a broad portfolio of circuit expertise in areas such as the following:

- precision capacitance measurement;
- power management (switching converters, charge pumps, and Low-dropout regulators (“LDOs”));
- analog-to-digital and digital-to-analog converters;
- LCD source and VCOM drivers;
- high-speed serial interfaces;
- display timing controllers (“TCONs”);
- DDICs;
- SRAM, DRAM, and non-volatile memories;
- VLSI digital circuits with multiple clock and power domains; and
- communications and signal processing circuits.

Display Systems and Circuit Technology. This technology enables us to develop optimized human interface semiconductor product solutions with improved compatibility with their application environments. This technology consists of mobile and large format display semiconductor expertise, including the following functional blocks:

- TCONs;
- DDICs;
- TFT gamma references;
- VCOM drivers;
- source drivers;

- content adaptive brightness control;
- contrast enhancement;
- color enhancement;
- color space adjustment;
- gamma curve control;
- local area active contrast optimization;
- sunlight readability enhancements;
- adaptive image compression;
- image decompression;
- sub-pixel rendering;
- video scaling;
- edge enhancement;
- frame rate control;
- selective update;
- force, touch and display synchronization;
- high-speed serial interfaces such as MIPI DSI and Qualcomm MDDI; and
- display power circuits such as inductive switchers, charge pumps, and LDOs.

This technology also enables us to develop advanced products that combine the functions of the display and touch sensing systems to enable highly integrated display and touch functionality with improved performance, thinner form factors, and lower system cost.

Capacitive Active Pen Technology. This technology allows us to develop a pen that can be used for input on a capacitive touchscreen. As well as generating a signal that allows the touchscreen to track the pen, additional data, such as the pen applied force and pen button states, are also communicated to the touchscreen device. Information can also be communicated from the touchscreen to the pen.

Multi-touch Technology. This technology allows us to create capacitive touch products that simultaneously track the presence, position and other characteristics of multiple objects in contact with or in close proximity to a flat or curved touch surface. It enables, for example, the recognition of multi-finger gestures, the tracking of a stylus position while the user's palm is also in contact with the touch surface, and the simultaneous interaction of multiple users with the same touch surface.

Proprietary Microcontroller Technology. One example of this technology is our proprietary 16-bit microcontroller core that is embedded in the digital portion of our mixed signal ASIC, which allows us to optimize our ASIC for position sensing tasks. Our embedded microcontroller provides great flexibility in customizing our products via firmware, which eliminates the need to design new circuitry for each new application.

Proprietary Vector Co-Processor Technology. Our vector co-processor technology is designed for use in our ASICs, accompanying either one of our own proprietary microcontroller cores or a commercially available one. The co-processor boosts the ASIC's computational performance by efficiently processing vectors of data for a range of mathematical operations. This allows us to implement more computationally intensive algorithms within our firmware.

Capacitive Fingerprint Sensing Technology. This technology provides for fingerprint authentication by scanning and matching an image of a user's fingerprint, as well as initial fingerprint enrollment. Our sensing technology also incorporates spoof detection. Our fingerprint sensing technology simplifies the system or application authentication process by substituting the user's fingerprint for the login name and password. Our technology includes many implementation choices including back of phone, button integration, touchpad integration, and under glass.

Optical Fingerprint Sensing Technology. This technology allows us to image fingerprints with different device constraints than our capacitive solutions. For example, our optical technology can image through thicker glass than our capacitive fingerprint technology. We can also use our optical technology to enable fingerprint sensing within the active area of a display. Our optical technology also incorporates fingerprint enrollment, matching and spoof detection.

Research and Development

We conduct ongoing research and development programs that focus on advancing our existing interface technologies, improving our current product solutions, developing new products, improving design and manufacturing processes, enhancing the quality and performance of our product solutions, and expanding our technologies to serve new markets. Our goal is to provide our customers with innovative solutions that address their needs and improve their competitive positions. Our long-term vision is to offer human interface semiconductor product solutions, such as touch, fingerprint, handwriting, vision, voice capabilities, and other biometrics that can be readily incorporated into various electronic devices.

Our research and development programs focus on the development of accurate, easy to use, reliable, and intuitive human interfaces for electronic devices. We believe our innovative interface technologies can be applied to many diverse products, and we believe the interface is a key factor in the differentiation of these products. We believe that our interface technologies enable us to provide customers with product solutions that have significant advantages over alternative technologies in terms of functionality, size, power consumption, durability, and reliability. We also intend to pursue strategic relationships and acquisitions to enhance our research and development capabilities, leverage our technology, and shorten our time to market with new technological applications.

Our research, design, and engineering teams frequently work directly with our customers to design custom solutions for specific applications. We focus on enabling our customers to overcome their technical barriers and enhance the performance of their products. We believe our engineering know-how and electronic systems expertise provide significant benefits to our customers by enabling them to concentrate on their core competencies of production and marketing.

As of the end of fiscal 2017, we employed 1,262 people in our technology, engineering, and product design functions in the United States, Taiwan, Japan, India, Korea, China, Hong Kong, and Armenia. Our research and development expenses were \$292.3 million, \$311.2 million, and \$293.2 million for fiscal 2017, 2016, and 2015, respectively.

Intellectual Property Rights

Our success and ability to compete depend in part on our ability to maintain the proprietary aspects of our technologies and products. We rely on a combination of patents, trade secrets, copyrights, confidentiality agreements, and other statutory and contractual provisions to protect our intellectual property, but these measures may provide only limited protection.

As of June 24, 2017, we held 991 active patents and 1,045 pending patent applications worldwide. Collectively, these patents and patent applications cover various aspects of our key technologies, including those for opaque touchpads, clear touch screens, fingerprint sensors, and displays. Our proprietary firmware and software, including source code, are also protected by copyright laws and applicable trade secret laws. In connection with the Conexant Acquisition, we acquired 435 active patents and 35 pending patent applications worldwide related to the Conexant products. Collectively, these patents and patent applications cover various aspects of Conexant's key technologies, including those for audio processing and modems.

Our extensive array of technologies includes those related to integrated circuits (ICs), firmware, software, and mechanical hardware. Our products rely on a combination of these technologies, making it difficult to use any single technology as the basis for replicating our products. Furthermore, the lengths of our customers' design cycles and the customizations required by our customers' products also serve to protect our intellectual property rights.

Customers

Our customers include many of the world's largest smartphone, tablet, and PC OEMs, based on unit shipments, as well as a variety of consumer electronics manufacturers. Our demonstrated track record of technological leadership, design innovation, product performance, cost effectiveness, and on-time deliveries have resulted in our leadership position in providing human interface semiconductor product solutions. We believe our strong relationship with our OEM customers, many of which are also currently developing tablets and mobile application products, will continue to position us as a source of supply for their product offerings.

Our leading OEM customers in fiscal 2017 included the following:

- **Dell**
- **Hewlett-Packard**
- **Huawei**
- **Lenovo**
- **LG Electronics**
- **Oppo Mobile**
- **Samsung**
- **Sony**
- **Vivo**
- **Xiaomi**

We generally supply custom-designed products to OEMs through their contract manufacturers, supply chain or distributors. Sales to Sanshin Electronics Co., Ltd., Samsung Electronics Co., Ltd. and its affiliates, and Wisewheel Electronics Co., Ltd. accounted for 24%, 19%, and 10% of our net revenue in fiscal 2017, respectively.

We consider both the OEMs and their contract manufacturers or supply chain partners to be our customers. Both the OEMs and their partners may determine the design and pricing requirements and make the overall decision regarding the use of our human interface semiconductor product solutions in their products. The contract manufacturers place orders with us for the purchase of our products, take title to the products purchased upon delivery by us, and pay us directly for those purchases. These customers have no return rights except for warranty provisions.

Strategic Relationships

We have used strategic relationships to enhance our ability to offer value-added customer solutions in the past. We intend to enter additional strategic relationships with companies that may help us serve our target markets.

Sales and Marketing

We sell our product solutions for incorporation into the products of our OEM customers. We generate sales through direct sales employees as well as outside sales representatives, distributors and value added resellers. Our sales personnel receive substantial technical assistance and support from our internal technical marketing and engineering resources because of the highly technical nature of our product solutions. Sales frequently result from multi-level sales efforts that involve senior management, design engineers, and our sales personnel interacting with our customers' decision makers throughout the product development and order process.

As of the end of fiscal 2017, we employed 303 sales and marketing professionals. We maintain customer support offices domestically and internationally, which are located in the United States, Taiwan, China, India, Korea, Japan, and Europe. In addition, we utilize value-added resellers and sales distributors in China, Japan, and Taiwan.

International sales constituted over 86% of our revenue for each of fiscal 2017, 2016, and 2015. Approximately 81% of our sales in fiscal 2017 were made to companies located in China, Japan, and South Korea that provide design and manufacturing services for major notebook computer and mobile product applications OEMs. Our sales are almost exclusively denominated in U.S. dollars. This information should be read in conjunction with Note 13 to the consolidated financial statements contained elsewhere in this report.

Manufacturing

We employ a virtual manufacturing platform through third-party relationships. We currently utilize a few semiconductor wafer manufacturers to supply us with silicon wafers integrating our proprietary design specifications. The completed silicon wafers are forwarded to third-party package and test processors for further processing into die and packaged ASICs, as applicable, which are then utilized in our custom interface products or processed as our ASIC-based solution.

After processing and testing, the die and ASICs are consigned to various contract manufacturers for assembly or are shipped directly to our customers. During the assembly process, our die or ASIC is either combined with other components to complete the module for our custom human interface solution or the ASIC is maintained as a standalone finished good. The finished assembled product is subsequently shipped directly to our customers or by our contract manufacturers directly to our customers for integration into their products.

We diversify our production capacity through third-party relationships, thereby strengthening our virtual manufacturing platform. We believe our virtual manufacturing strategy provides a scalable business model, enables us to concentrate on our core competencies of research and development, technological advances, and product design and engineering, and reduces our capital investment.

Our third-party contract manufacturers and semiconductor fabricators are Asia-based organizations. We generally provide our contract manufacturers with six-month rolling forecasts of our production requirements. We do not, however, have long-term agreements with any of our contract manufacturers that guarantee production capacity, prices, lead times, or delivery schedules. Our reliance on these parties exposes us to vulnerability owing to our dependence on few sources of supply. We believe, however, that other sources of supply are available. In addition, we may establish relationships with other contract manufacturers in order to reduce our dependence on any one source of supply.

Periodically, we purchase inventory from our contract manufacturers when a customer delays its delivery schedule or cancels its order. In those circumstances in which our customer has cancelled its order and we purchase inventory from our contract manufacturers, we consider a write-down to reduce the carrying value of the inventory purchased to its net realizable value. We charge write-downs to reduce the carrying value of obsolete, slow moving, and non-usable inventory to its net realizable value and charge such write-downs to cost of revenue. We also record a liability and charge to cost of revenue for estimated losses on inventory we are obligated to purchase from our contract manufacturers when such losses become probable from customer delays or order cancellations.

Backlog

As of the end of fiscal 2017, we had a backlog of orders of \$221.8 million, an increase of \$39.0 million compared with a backlog of orders as of the end of fiscal 2016 of \$182.8 million. The average selling prices are higher in backlog for products ordered by customers at the end of fiscal 2017 than those ordered at the end of fiscal 2016 due to the mix of products ordered by customers, which is partially offset by a lower quantity of units in backlog. Our backlog consists of products for which purchase orders have been received and are scheduled for shipment in the subsequent quarter. Most orders are subject to rescheduling or cancellation with limited penalties. Because of the possibility of customer changes in product shipments, our backlog as of a particular date may not necessarily be indicative of net revenue for any succeeding period.

Competition

Our touch, display and finger-based semiconductor products are sold into markets for mobile product applications, PC product applications and other electronic devices. The markets for touchscreen products are characterized by rapidly changing technology and intense competition. Our principal competition in the sale of touchscreen products includes Atmel, Elan Microelectronics, Focaltech Systems, Goodix, Melfas, Parade Technologies, Samsung LSI, STMicroelectronics and various other companies involved in human interface semiconductor product solutions. Our principal competitors in the sale of notebook touch pads are Alps Electric and Elan Microelectronics. Our principal competitors in the sale of display driver products and TDDI products for the mobile and PC product applications markets include Focaltech, Himax Technologies, Novatek Microelectronics and SiliconWorks. Our principal competitors in the sale of fingerprint authentication solutions for the mobile and PC product applications markets are Cypress Semiconductor, Egis Technology, Elan Microelectronics, Fingerprint Cards, Goodix, IDEX, NEXT Biometrics, Silead and Qualcomm. Our IoT audio, multimedia, and interface based semiconductor products are sold into IoT, PC, and other electronic devices. We provide voice processing silicon and software solutions for voice-enabled devices, consumer and commercial imaging, and next-generation audio applications. In

addition to our voice solutions, we support the headphone and virtual reality/mixed reality head mounted displays industry with USB-C CODEC solutions for next generation wireless audio devices and wearables. Our competitors in the sale of audio products include BES Technic, Cirrus Logic, Qualcomm, Realtek, and STMicroelectronics. Our IoT interface products are sold into PC and smartphone docks and wireless adapter market applications. Our principal competitors in the sale of IoT interface products are Megachips and Analogix. In certain cases, large OEMs may acquire a competing technology, develop alternative human interface semiconductor product solutions for their own products or provide alternative key components for use in designing human interface semiconductor product solutions.

We believe our solutions-based systems and engineering experience, coupled with our technologies, offer benefits in terms of size, power consumption, durability, ease of use, cost effectiveness, and reliability when compared to our competitors and other technologies. While our markets continue to evolve, we believe we are well positioned to compete aggressively for this business based on our proven track record, our technological expertise, our marquee global customer base, our technology roadmap, and our reputation for design innovation. Our competitive position could be adversely affected if one or more of our current OEMs reduce their orders or if we are unable to develop new customers for our human interface semiconductor product solutions.

Employees

As of the end of fiscal 2017, we employed a total of 1,774 persons, including 209 in operations, finance, and administration; 303 in sales and marketing; and 1,262 in research and development. Of these employees, 628 were located in North America, 1,141 in Asia/Pacific, and 5 in Europe. In connection with the Conexant Acquisition, we acquired a total of 297 employees from Conexant, including 26 in operations, finance, and administration, 27 in sales and marketing, and 244 in research and development. Of these employees, 123 were located in North America and 174 in Asia/Pacific. We consider our relationship with our employees to be good, and none of our employees are represented by a union in collective bargaining with us.

Competition for qualified personnel in our industry is extremely intense, particularly for engineering and other technical personnel. Our success depends on our continued ability to attract, hire, and retain qualified personnel.

Executive Officers of the Registrant

The following table sets forth certain information regarding our executive officers as of August 11, 2017:

Name	Age	Position
Richard A. Bergman	53	President and Chief Executive Officer, and Director
Wajid Ali	44	Senior Vice President and Chief Financial Officer
Kevin D. Barber	57	Senior Vice President and General Manager, Mobile Division
Shawn Liu	53	Vice President and General Manager, PC Division
John McFarland	50	Senior Vice President, General Counsel and Secretary
Huibert Verhoeven	49	Senior Vice President and General Manager, IoT Division
Mark Wadlington	56	Senior Vice President, Worldwide Sales
Alex Wong	62	Senior Vice President, Worldwide Operations

Richard A. Bergman has been President and Chief Executive Officer of our company since September 2011. Prior to joining our company, Mr. Bergman was Senior Vice President and General Manager of Advanced Micro Devices (“AMD”) Product Group from May 2009 to September 2011. From October 2006 to May 2009, Mr. Bergman served as Senior Vice President and General Manager of AMD’s Graphics Product Group. Mr. Bergman’s career at AMD began in October 2006 when AMD acquired ATI Technologies (“ATI”), where he served as Senior Vice President and General Manager of the PC Group. Prior to ATI, Mr. Bergman served as Chief Operating Officer at S3 Graphics, a division of SonicBlue Inc. Mr. Bergman has held senior level management positions in the technology field since his early roles at Texas Instruments, Inc. and IBM. Mr. Bergman is a member of the Board of Directors, Chairman of the Compensation Committee and a member of the Audit Committee of Maxwell Technologies, a developer and manufacturer of energy storage and power delivery solutions. Mr. Bergman holds a Bachelor of Science degree in Electrical Engineering from the University of Michigan and a Master’s degree in Business Administration from the University of Colorado.

Wajid Ali has been Senior Vice President and Chief Financial Officer of our company since May 2015. Prior to joining our company, Mr. Ali was Vice President and Controller of Teledyne from 2012 to 2015, after previously serving as Vice President and Chief Financial Officer of Teledyne DALSA, Inc., a Teledyne Technologies subsidiary from 2011 to 2012, and as Chief Financial Officer of Teledyne DALSA’s predecessor, DALSA Corporation, a public semiconductor company, from 2007 to 2011. Mr. Ali also held various key financial management positions at ATI Technologies prior to its acquisition by Advanced Micro Devices (“AMD”), after which Mr. Ali held a key financial management position at AMD. Mr. Ali holds a Bachelor of Arts degree and a Master of Arts degree in Economics from York University, a Master’s degree in Business Administration from the Schulich School of Business, York University, and a CPA, CMA designation from the Chartered Professional Accountants of Ontario, Canada.

Kevin D. Barber has been Senior Vice President and General Manager of the Mobile Division of our company since July 2017. Prior to his current appointment, Mr. Barber was Senior Vice President and General Manager of the Smart Display division of our company from January 2011 to July 2017. Prior to joining our company, Mr. Barber was the Chief Executive Officer of ACCO Semiconductor from 2008 to 2010. From 2007 to 2008, Mr. Barber served as a principal consultant at PRTM focused on the electronics industry. Mr. Barber was Senior Vice President, General Manager of the Mobile Solutions business at Skyworks Solutions from 2003 to 2006 where he was responsible for delivering innovative RF products to the mobile industry. Mr. Barber was Senior Vice President of Operations at Skyworks Solutions from 2002 to 2003 and Conexant Systems from 2001 to 2002. Previously, Mr. Barber held various senior operations positions at Conexant Systems and Rockwell Semiconductor. Mr. Barber holds a Bachelor of Science degree in Electrical Engineering from San Diego State University and a Master’s degree in Business Administration from Pepperdine University.

John McFarland has been Senior Vice President, General Counsel and Secretary of our company since November 2013. Prior to joining our company, Mr. McFarland served for nine years as the Executive Vice President, General Counsel and Secretary of MagnaChip Semiconductor. Mr. McFarland spent his early career at law firms in Palo Alto, California, and Seoul, Korea. Mr. McFarland holds a Bachelor of Arts degree in Asian Studies, conferred with highest distinction from the University of Michigan, and a Juris Doctor degree from the University of California, Los Angeles, School of Law.

Shawn Liu has served as Vice President and General Manager, PC Division since July 2017. Mr. Liu joined Synaptics in November 2012 as our Vice President of ThinTouch Products in the Human Interface Systems Division, and then rotated through senior leadership positions in the Smart Display Division and Biometrics Product Division within Synaptics. From January 2011 to November 2012, he was a Director at Apple, where he led an Engineering Program Management team responsible for technologies in Mac and iOS products. From 2000 to 2011, Mr. Liu held senior positions at AMD/ATI and Cadence. Early in his career, Mr. Liu spent several years in Taiwan in various managerial capacities including a business development position at a wireless chipset start-up, and held various design engineering positions at SGI, LSI Logic and VLSI Technology. Mr. Liu holds a Bachelor of Science degree and Master of Science degree, both in Electrical Engineering, from Cornell University.

Huibert Verhoeven has been Senior Vice President and General Manager of the IoT Division of our company since July 2017. Prior to his current appointment, Mr. Verhoeven was Senior Vice President and General Manager of the Human Interface Systems Division of our company from August 2014 to July 2017. Prior to joining our company, Mr. Verhoeven was Vice President and General Manager of the Flash Components Division at LSI Corporation from 2013 to 2014. Mr. Verhoeven served as the Vice President and General Manager of the Mixed Signal Systems group for Intersil Corporation from 2008 to 2013. Prior to Intersil, Mr. Verhoeven held design engineering and design management positions at National Semiconductor Corporation. Mr. Verhoeven holds a Doctor of Philosophy and a Master's of Science Degree in Electrical Engineering from Delft University, The Netherlands.

Mark Wadlington has been Senior Vice President, Worldwide Sales of our company since April 2017. Prior to joining our company, Mr. Wadlington was Corporate Vice President and General Manager, Mobile and Consumer Division at Lattice Semiconductor from 2016 to 2017 and Corporate Vice President of Worldwide Sales from 2013 to 2016. Prior to Lattice, Mr. Wadlington was Vice President of Worldwide Sales at Applied Micro Circuits Corporation ("AMCC") from 2011 to 2012. Prior to AMCC, Mr. Wadlington served as the Vice President of America's Sales at Xilinx, Vice President of Worldwide MCP (media communications processor) Sales at NVIDIA, and held various senior-level positions at LSI Logic during his 21-year tenure there, including serving as LSI Logic's Vice President of Worldwide Semiconductor Sales. Mr. Wadlington holds a Bachelor of Science in Electronic Engineering Technology from the Ohio Institute of Technology.

Alex Wong has been Senior Vice President of Worldwide Operations of our company since July 2010. Mr. Wong served as Vice President of Worldwide Operations of our company from September 2006 to July 2010. From 2003 to 2006, Mr. Wong served our company as Managing Director of Hong Kong and Director of Operations. Prior to joining our company, Mr. Wong held various management positions with National Semiconductor Corporation, including General Manager for National Joint Ventures in China and Hong Kong and Director of Corporate Business Development. Mr. Wong holds a Bachelor of Science degree in Computer Science from California State University at Northridge and a Master's degree in Business Administration from the University of East Asia, Macau.

There are no arrangements, understandings, or family relationships pursuant to which our executive officers were selected. There are no related party transactions between us and our executive officers. We have entered into indemnification agreements with our officers and directors.

ITEM 1A. RISK FACTORS

You should carefully consider the following factors, together with all the other information included in this report, in evaluating our company and our business.

We currently depend on our human interface solutions for the mobile product applications market and the PC product applications market for substantially all of our revenue, and any downturn in sales of these products would adversely affect our business, revenue, operating results, and financial condition.

We currently depend on our human interface solutions for the mobile product applications market and the PC product applications market for substantially all of our revenue. Any downturn in sales of these products would adversely affect our business, revenue, operating results, and financial condition. Similarly, a softening of demand in the smartphone market, the tablet market, or the notebook portion of the PC product applications market, or a slowdown of growth in the mobile product applications market because of consumer preferences, the emergence of applications not including our solutions, or other factors would cause our business, operating results, and financial position to suffer.

Net revenue from our human interface solutions for mobile product applications has been volatile in the past, and may not increase or be less volatile in the future.

Net revenue from our human interface solutions for mobile product applications, particularly smartphones, has been volatile in the past, and may not increase or be less volatile in the future. Net revenue from our human interface solutions for mobile product applications was \$1,489.0 million for fiscal 2017, \$1,459.5 million for fiscal 2016, and \$1,442.1 million for fiscal 2015. Our human interface business for mobile product applications faces many uncertainties, including our success in enhancing our position in evolving markets dominated by a limited number of OEMs, and market acceptance of our product solutions over competitive product solutions. Our inability to address these uncertainties successfully would negatively affect our business.

A significant portion of our sales comes from one or more large customers, the loss of which could harm our business, financial condition, and operating results.

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we lost key customers, or if key customers reduced or stopped placing orders for our high-volume products, our financial results could be adversely affected. Sales to Samsung Electronics Co., Ltd. and its affiliates, Sanshin Electronics Co., Ltd., and Wisewheel Electronics Co., Ltd. accounted for 10% or more of our net revenue in fiscal 2017. During fiscal 2017, we had one OEM customer that integrates our discrete display products into its mobile products and that represented approximately 24% of our revenue; we sold to that customer indirectly through multiple distributors. Significant reductions in sales to our largest customers, the loss of other major customers, or a general decrease in demand for our products within a short period of time could adversely affect our revenue, financial condition and business.

We sell to contract manufacturers that serve our OEM customers. Any material delay, cancellation, or reduction of orders from any one or more of these contract manufacturers or the OEMs they serve could harm our business, financial condition, and operating results. The adverse effect would be more substantial if our other customers do not increase their orders or if we are unsuccessful in generating orders for our solutions with new customers. Many of these contract manufacturers sell to the same OEMs, and therefore our concentration with certain OEMs may be higher than with any individual contract manufacturer. Concentration in our customer base may make fluctuations in revenue and earnings more severe and make business planning more difficult.

We are exposed to industry downturns and cyclicalities in our target markets that may result in fluctuations in our operating results.

The consumer electronics industry has experienced significant economic downturns at various times. These downturns are characterized by diminished product demand, accelerated erosion of average selling prices, and production overcapacity. In addition, the consumer electronics industry is cyclical in nature. We seek to reduce our exposure to industry downturns and cyclicalities by providing design and production services for leading companies in rapidly expanding industry segments. We may, however, experience substantial period-to-period fluctuations in future operating results because of general industry conditions or events occurring in the general economy.

We cannot assure you that our human interface business for new markets will be successful or that we will be able to continue to generate significant revenue from these markets.

Our product solutions may not be successful in new markets despite the fact that these product solutions are capable of enabling people to interact more easily and intuitively with a wide variety of mobile computing, communication, entertainment, automotive and electronic devices in addition to notebook computers and smartphones.

Various target markets for our interface solutions, such as automotive touchscreens, and IoT, may develop slower than anticipated or could utilize competing technologies. The markets for certain of these products depend in part upon the continued development and deployment of wireless and other technologies, which may or may not address the needs of the users of these products.

Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- the development and growth of these markets;
- the ability of our technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- our ability to provide OEMs with human interface solutions that provide advantages in terms of size, power consumption, reliability, durability, performance, and value-added features compared with alternative solutions.

Many manufacturers of these products have well-established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future.

If we fail to maintain and build relationships with our customers, or our customers' products which utilize our human interface solutions do not gain widespread market acceptance, our revenue may stagnate or decline.

We do not sell any products to end users and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our human interface solutions. Instead, we design various human interface solutions that our OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our human interface solutions. Even if our technologies successfully meet our customers' price and performance goals, our sales would decline or fail to develop if our customers do not achieve commercial success in selling their products that incorporate our human interface solutions.

We must maintain our relationships with our existing customers, particularly with the leading notebook computer OEMs, and expand our relationships with smartphone and tablet OEMs. Our customers generally do not provide us with firm, long-term volume purchase commitments, opting instead to issue purchase orders that they can cancel, reduce, or delay, subject to certain limitations. In order to meet the expectations of our customers, we must provide innovative human interface solutions on a timely and cost-effective basis. This requires us to match our design and production capacity with customer demand, maintain satisfactory delivery schedules, and meet performance goals. If we are unable to achieve these goals for any reason, our sales may decline or fail to develop, which would result in decreasing revenue.

In addition to maintaining and expanding our customer relationships, we must also identify areas of significant growth potential in other markets, establish relationships with OEMs in those markets, and assist those OEMs in developing products that incorporate our human interface product solutions. Our failure to identify potential growth opportunities, particularly in the smartphone and the tablet market, the PC product applications market, or the IoT market, or our failure to establish and maintain relationships with OEMs in those markets, would prevent our business from growing in those markets.

We depend on third parties to maintain satisfactory manufacturing yields and delivery schedules, and their inability to do so could increase our costs, disrupt our supply chain, and result in our inability to deliver our products, which would adversely affect our operating results.

We depend on our contract manufacturers and semiconductor fabricators to maintain high levels of productivity and satisfactory delivery schedules at manufacturing and assembly facilities located primarily in China, Taiwan, and Thailand.

We provide our contract manufacturers with six-month rolling forecasts of our production requirements. We do not, however, have long-term agreements with our contract manufacturers that guarantee production capacity, prices, lead times, or delivery schedules. On occasion, customers require rapid increases in production, which can strain our resources and reduce our margins. Although we have been able to obtain increased production capacity from our third-party contract manufacturers in the past, there is no guarantee that our contract manufacturers will be able to increase production capacity to meet customer demands in the future. Our contract manufacturers also serve other customers, a number of which have greater production requirements than we do. As a result, our contract manufacturers could determine to prioritize production capacity for other customers or reduce or eliminate deliveries to us on short notice. Qualifying new contract manufacturers, and specifically semiconductor foundries, is time consuming and might result in unforeseen manufacturing and operations problems. We may also encounter lower manufacturing yields and longer delivery schedules in commencing volume production of new products that we introduce, which could increase our costs or disrupt our supply of such products. The loss of relationships with our contract manufacturers or assemblers, or their inability to conduct their manufacturing and assembly services for us as anticipated in terms of capacity, cost, quality, and timeliness could adversely affect our ability to fill customer orders in accordance with required delivery, quality, and performance requirements, and adversely affect our operating results.

Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results.

The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia. In most cases, neither we nor our contract manufacturers have long-term supply contracts with these suppliers. As a result, we are subject to increased costs, supply interruptions, and difficulties in obtaining materials. Our customers also may encounter difficulties or increased costs in obtaining the materials necessary to produce their products into which our product solutions are incorporated. Future shortages of materials and components, including potential supply constraints of silicon, could cause delayed shipments and customer dissatisfaction, which may result in lower revenue.

We are subject to lengthy development periods and product acceptance cycles, which can result in development and engineering costs without any future revenue.

We provide human interface solutions that are incorporated by OEMs into the products they sell. OEMs make the determination during their product development programs whether to incorporate our solutions or pursue other alternatives. This process requires us to make significant investments of time and resources in the design of human interface solutions for our OEMs' products well before our customers introduce their products incorporating our interface solutions, and before we can be sure that we will generate any significant sales to our customers or even recover our investment. During a customer's entire product development process, we face the risk that our interfaces will fail to meet our customer's technical, performance, or cost requirements, or that our products will be replaced by competitive products or alternative technological solutions. Even if we complete our design process in a manner satisfactory to our customer, the customer may delay or terminate its product development efforts. The occurrence of any of these events could cause sales to not materialize, be deferred, or be cancelled, which would adversely affect our operating results.

We face intense competition that could result in our losing or failing to gain market share and suffering reduced revenue.

We serve intensely competitive markets that are characterized by price erosion, rapid technological change, and competition from major domestic and international companies. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share. Depressed economic conditions, a slowdown in the PC, mobile or IoT product applications markets, the emergence of new products not including our product solutions, rapid changes in the smartphone or IoT markets and competitive pressures may result in lower demand for our product solutions and reduced unit margins.

Any movement away from high-quality, custom designed, feature-rich human interface solutions to lower priced alternatives would adversely affect our business. Some of our competitors, particularly in the markets for mobile product applications and other electronic devices, have greater market recognition, larger customer bases, and substantially greater financial, technical, marketing, distribution, and other resources than we possess and that afford them greater competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, negotiate lower prices for raw materials and components, deliver competitive products at lower prices, and introduce new product solutions and respond to customer requirements more quickly than we can. Our competitive position could suffer if one or more of our

customers determine not to utilize our custom engineered, total solutions approach and instead, decide to design and manufacture their own interfaces, contract with our competitors, or use alternative technologies.

Our ability to compete successfully depends on a number of factors, both within and outside our control. These factors include the following:

- our success in designing and introducing new human interface solutions, including those implementing new technologies;
- our ability to predict the evolving needs of our customers and to assist them in incorporating our technologies into their new and existing products;
- our ability to meet our customers' requirements for low power consumption, ease of use, reliability, durability, and small form factor;
- our ability to meet our customers' price and performance requirements;
- the quality of our customer service and support;
- the rate at which customers incorporate our human interface solutions into their own products;
- product or technology introductions by our competitors; and
- foreign currency fluctuations, which may cause a foreign competitor's products to be priced significantly lower than our product solutions.

If we do not keep pace with technological innovations, our products may not remain competitive and our revenue and operating results may suffer.

We operate in rapidly changing highly competitive markets. Technological advances, the introduction of new products and new design techniques could adversely affect our business unless we are able to adapt to changing conditions. Technological advances could render our solutions less competitive or obsolete, and we may not be able to respond effectively to the technological requirements of evolving markets. Therefore, we will be required to expend substantial funds for and commit significant resources to enhancing and developing new technology which may include purchasing advanced design tools and test equipment, hiring additional highly qualified engineering and other technical personnel, and continuing and expanding research and development activities on existing and potential human interface solutions.

Our research and development efforts with respect to new technologies may not result in customer or market acceptance. Some or all of those technologies may not successfully make the transition from the research and development stage to cost-effective production as a result of technology problems, competitive cost issues, yield problems, and other factors. Even if we successfully complete a research and development effort with respect to a particular technology, our customers may decide not to introduce or may terminate products utilizing the technology for a variety of reasons, including difficulties with other suppliers of components for the products, superior technologies developed by our competitors and unfavorable comparisons of our solutions with these technologies, price considerations and lack of anticipated or actual market demand for the products.

Our business could be harmed if we are unable to develop and utilize new technologies that address the needs of our customers, or our competitors or customers develop and utilize new technologies more effectively or more quickly than we can. Any investments made to enhance or develop new technologies that are not successful could have an adverse effect on our net revenue and operating results.

We may not be able to enhance our existing product solutions and develop new product solutions in a timely manner.

Our future operating results will depend to a significant extent on our ability to continue to provide new human interface solutions that compare favorably with alternative solutions on the basis of time to introduction, cost, performance, and end user preferences. Our success in maintaining existing customers and attracting new customers, and developing new business depends on various factors, including the following:

- innovative development of new solutions for customer products;
- utilization of advances in technology;
- maintenance of quality standards;

- performance advantages;
- efficient and cost-effective solutions; and
- timely completion of the design and introduction of new human interface solutions.

Our inability to enhance our existing product solutions and develop new product solutions on a timely basis could harm our operating results and impede our growth.

Additionally, our human interface solutions are designed to integrate touch, handwriting, vision and voice capabilities. New computing and communications devices could be developed that call for a different interface solution. Existing devices could also be modified to allow for a different interface solution. Our business could be harmed if our products become noncompetitive as a result of a technological breakthrough that allows a new interface solution to displace our solutions and achieve significant market acceptance.

International sales and manufacturing risks could adversely affect our operating results.

Our manufacturing and assembly operations are primarily conducted in China, Taiwan, and Thailand by contract manufacturers and semiconductor fabricators. We have sales and logistics operations in Hong Kong, and sales and engineering design support operations in Armenia, China, India, Japan, Korea, Switzerland, and Taiwan. These international operations expose us to various economic, political, and other risks that could adversely affect our operations and operating results, including the following:

- difficulties and costs of staffing and managing a multinational organization;
- unexpected changes in regulatory requirements;
- differing labor regulations;
- potentially adverse tax consequences;
- tariffs, duties and other trade barrier restrictions;
- changes to export or import compliance laws;
- possible employee turnover or labor unrest;
- greater difficulty in collecting accounts receivable;
- the burdens and costs of compliance with a variety of foreign laws;
- the volatility of currency exchange rates;
- potentially reduced protection for intellectual property rights;
- political or economic instability in certain parts of the world; and
- natural disasters, including earthquakes or tsunamis.

If any of these risks associated with international operations materialize, our operations could be disrupted, which would negatively affect our operating results.

Our operating results could be adversely affected by fluctuations in the value of the U.S. dollar against foreign currencies.

We transact business predominantly in U.S. dollars, and we invoice and collect our sales in U.S. dollars. A weakening of the U.S. dollar could cause our overseas vendors to require renegotiation of either the prices or currency we pay for their goods and services. In the future, customers may negotiate pricing and make payments in non-U.S. currencies. For fiscal 2017, approximately 9% of our costs were denominated in non-U.S. currencies, including Armenian dram, Canadian dollars, European Union euro, Hong Kong dollars, Indian rupee, New Taiwan dollars, Japanese yen, Korean won, Chinese yuan, and Swiss francs.

If our overseas vendors or customers require us to transact business in non-U.S. currencies, fluctuations in foreign currency exchange rates could affect our cost of goods, operating expenses, and operating margins, and could result in exchange losses. In addition, currency devaluation could result in a loss to us if we hold deposits of that currency. Hedging foreign currencies can be difficult, especially if the currency is not freely traded. We cannot predict the impact of future exchange rate fluctuations on our operating results.

If we fail to manage our growth effectively, our infrastructure, management, and resources could be strained, our ability to effectively manage our business could be diminished, and our operating results could suffer.

The failure to manage our planned growth effectively could strain our resources, which would impede our ability to increase revenue. We have increased the number of our human interface solutions and plan to further expand the number and diversity of our solutions and their use in the future. Our ability to manage our planned diversification and growth effectively will require us to:

- successfully hire, train, retain, and motivate additional employees, including employees outside the United States;
- efficiently plan and expand our facilities to meet increased headcount requirements;
- enhance our global operational, financial, and management infrastructure; and
- expand our development and production capacity.

In connection with the expansion and diversification of our product and customer base, we may increase our personnel and make other expenditures to meet demand for our expanding product offerings, including offerings in the mobile product applications market, the notebook computer market, and the IoT market. Any increase in expenses or investments in infrastructure and facilities in anticipation of future orders that do not materialize would adversely affect our profitability. Our customers also may require rapid increases in design and production services that place an excessive short-term burden on our resources and the resources of our contract manufacturers. An inability to quickly expand our development, design or production capacity or an inability of our third-party manufacturers to quickly expand development, design or production capacity to meet this customer demand could result in a decrease to our revenue or operating results. If we cannot manage our growth effectively, our business and operating results could suffer.

We depend on key personnel who would be difficult to replace, and our business will likely be harmed if we lose their services or cannot hire additional qualified personnel.

Our success depends substantially on the efforts and abilities of our senior management and other key personnel. The competition for qualified management and key personnel, especially engineers, is intense. Although we maintain noncompetition and nondisclosure covenants with most of our key personnel, and our key executives have change of control severance agreements, we do not have employment agreements with many of them. The loss of services of one or more of our key employees or the inability to hire, train, and retain key personnel, especially engineers and technical support personnel, and capable sales and customer-support employees outside the United States, could delay the development and sale of our products, disrupt our business, and interfere with our ability to execute our business plan.

Our ability to compete successfully and continue growing as a company depends on our ability to adequately protect our proprietary technology and confidential information.

We protect our proprietary technology and confidential information through the use of patents, trade secrets, trademarks, confidentiality agreements and other contractual provisions. The process of seeking patent protection is lengthy and expensive. Further, there can be no assurance that even if a patent is issued, that it will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage.

We have not applied for, and do not have, any copyright registration on our technologies or products. We have applied to register certain of our trademarks in the United States and other countries. There can be no assurance that we will obtain registrations of principal or other trademarks in key markets. Failure to obtain registrations could compromise our ability to fully protect our trademarks and brands, and could increase the risk of challenge from third parties to our use of our trademarks and brands. Effective intellectual property protection may be unavailable or limited in some foreign countries in which we operate. In particular, the validity, enforceability and scope of protection of intellectual property in China, where we derive a significant portion of our net sales, and certain other countries where we derive net sales, are still evolving and historically, have not protected and may not protect in the future, intellectual property rights to the same extent as laws developed in the United States.

We do not consistently rely on written agreements with our customers, suppliers, manufacturers, and other recipients of our technologies and products and therefore, some trade secret protection may be lost and our ability to enforce our intellectual property rights may be limited. Confidentiality and non-disclosure agreements which are in place may not be adequate to protect our proprietary technologies or may be breached by other parties. Additionally, our customers, suppliers, manufacturers, and other recipients of our technologies and products may seek to use our technologies and products without appropriate limitations. In the past, we did not consistently require our employees and consultants to enter into confidentiality, employment, or proprietary information and invention assignment agreements. Therefore, our former employees and consultants may try to claim some ownership interest in our technologies and products, or may use our technologies and products competitively and without appropriate limitations. Unauthorized parties may attempt to copy or otherwise use aspects of our technologies and products that we regard as proprietary. Other companies, including our competitors, may independently develop technologies that are similar or superior to our technologies, duplicate our technologies, or design around our patents. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the markets for our technologies and products.

We may pursue, and from time to time defend, litigation to enforce our intellectual property rights, to protect our trade secrets, and to determine the validity and scope of the proprietary rights of others. These litigations, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, financial condition, and operating results.

Any claims that our technologies infringe the intellectual property rights of third parties could result in significant costs and have a material adverse effect on our business.

We cannot be certain that our technologies and products do not and will not infringe issued patents or other third party proprietary rights. Any claims, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and could require us to enter into royalty or licensing agreements, any of which could have a material adverse effect on our business. There can be no assurance that such licenses could be obtained on commercially reasonable terms, if at all, or that the terms of any offered licenses would be acceptable to us. We may also have to pay substantial damages to third parties, or indemnify customers or licensees for damages they suffer if the products they purchase from us or the technology they license from us violates any third party intellectual property rights. An adverse determination in a judicial or administrative proceeding, or a failure to obtain necessary licenses to use such third-party technology could prevent us from manufacturing, using, or selling certain of our products, and there is no guarantee that we will be able to develop or acquire alternate non-infringing technology.

In addition, we license certain technology used in and for our products from third parties. These third-party licenses are granted with restrictions, and there can be no assurances that such third-party technology will remain available to us on commercially acceptable terms.

If third-party technology currently utilized in our products is no longer available to us on commercially acceptable terms, or if any third-party initiates litigation against us for alleged infringement of their proprietary rights, we may not be able to sell certain of our products and we could incur significant costs in defending against litigation or attempting to develop or acquire alternate non-infringing products, which would have an adverse effect on our operating results.

If we become subject to product returns or claims resulting from defects in our products, we may incur significant costs resulting in a decrease in revenue.

We develop complex products in an evolving marketplace and generally warrant our products for a period of 12 months from the date of delivery. Despite testing by us and our customers, defects may be found in existing or new products. Manufacturing errors or product defects could result in a delay in recognition or loss of revenue, loss of market share, or failure to achieve market acceptance. Additionally, defects could result in financial or other damages to our customers, causing us to incur significant warranty, support, and repair costs, and diverting the attention of our engineering personnel from key product development efforts.

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value, and harm our operating results.

We expect to continue to pursue opportunities to acquire other businesses and technologies in order to complement our current human interface solutions, expand the breadth of our markets, enhance our technical capabilities, or otherwise create growth opportunities. We cannot accurately predict the timing, size, and success of any currently planned or future acquisitions. We may be unable to identify suitable acquisition candidates or to complete the acquisitions of candidates that we identify. Increased competition for acquisition candidates or increased asking prices by acquisition candidates may increase purchase prices for acquisitions to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria. Acquisitions may also become more difficult in the future as we or others acquire the most attractive candidates. Unforeseen expenses, difficulties, and delays frequently encountered in connection with rapid expansion through acquisitions could inhibit our growth and negatively impact our operating results. If we make any future acquisitions, we could issue stock that would dilute existing stockholders' percentage ownership, incur substantial debt, assume contingent liabilities, or experience higher operating expenses.

We may be unable to effectively complete an integration of the management, operations, facilities, and accounting and information systems of acquired businesses with our own; efficiently manage, combine or restructure the operations of the acquired businesses with our operations; achieve our operating, growth, and performance goals for acquired businesses; achieve additional revenue as a result of our expanded operations; or achieve operating efficiencies or otherwise realize cost savings as a result of anticipated acquisition synergies. The integration of acquired businesses involves numerous risks, including the following:

- the potential disruption of our core business;
- the potential strain on our financial and managerial controls, reporting systems and procedures;
- potential unknown liabilities associated with the acquired business;
- costs relating to liabilities which we agree to assume;
- unanticipated costs associated with the acquisition;
- diversion of management's attention from our core business;
- problems assimilating the purchased operations, technologies, or products;
- risks associated with entering markets and businesses in which we have little or no prior experience;
- failure of acquired businesses to achieve expected results;
- adverse effects on existing business relationships with suppliers and customers;
- failure to retain key customers, suppliers, or personnel of acquired businesses;
- the risk of impairment charges related to potential write-downs of acquired assets; and
- the potential inability to create uniform standards, controls, procedures, policies, and information systems.

We cannot assure you that we would be successful in overcoming problems encountered in connection with any acquisitions, and our inability to do so could disrupt our operations, result in goodwill or intangible asset impairment charges, and adversely affect our business.

Potential strategic alliances may not achieve their objectives, and the failure to do so could impede our growth.

We have entered, and we anticipate that we will continue to enter, into strategic alliances. We continually explore strategic alliances designed to enhance or complement our technology or to work in conjunction with our technology; to provide necessary know-how, components, or supplies; and to develop, introduce, and distribute products utilizing our technology. Certain strategic alliances may not achieve their intended objectives, and parties to our strategic alliances may not perform as contemplated. The failure of these alliances to achieve their objectives may impede our ability to introduce new products and enter new markets.

We must finance the growth of our business and the development of new products, which could have an adverse effect on our operating results.

To remain competitive, we must continue to make significant investments in research and development, marketing, and business development. Our failure to sufficiently increase our net revenue to offset these increased costs would adversely affect our operating results.

From time to time, we may seek additional equity or debt financing to provide for funds required to expand our business, including through acquisitions. We cannot predict the timing or amount of any such requirements at this time. If such financing is not available on satisfactory terms, we may be unable to expand our business or to develop new business at the rate desired and our operating results may suffer. If obtained, the financing itself carries risks including the following: (i) debt financing increases expenses and must be repaid regardless of operating results; and (ii) equity financing, including the issuance of convertible notes or additional shares in connection with acquisitions, could result in dilution to existing stockholders and could adversely affect the price of our common stock.

Transactions relating to our Convertible Notes may dilute the ownership interest of our stockholders, or may otherwise depress the price of our common stock.

The conversion of some or all of our outstanding 0.50% Convertible Senior Notes due 2022 (the “Convertible Notes”) would dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of such notes. If the Convertible Notes become convertible under the terms of the indenture, and if holders subsequently elect to convert their notes, we could be required to deliver to them a significant number of shares of our common stock. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of such notes could be used to satisfy short positions. Additionally, anticipated conversion of such notes into shares of our common stock could depress the price of our common stock.

Our indebtedness could adversely affect our financial condition or operating flexibility and prevent us from fulfilling our obligations outstanding under our credit agreement, the Convertible Notes, and other indebtedness we may incur from time to time.

As of June 24, 2017, our total outstanding long-term indebtedness was \$220.0 million, which represented current and long-term debt outstanding under our credit agreement (which we refer to herein, as amended and supplemented, as the “Credit Agreement”) with the lenders party thereto, or the Lenders, and Wells Fargo Bank, National Association, or the Administrative Agent, as administrative agent for the Lenders. On June 26, 2017, we completed the offering of the Convertible Notes in the aggregate principal amount of \$525.0 million, of which \$220.0 million of the net proceeds therefrom were used to repay the amounts outstanding under the Credit Agreement, with a corresponding reduction of revolver commitments under the Credit Agreement to \$250.0 million, none of which was outstanding as of June 26, 2017. We are permitted under the indenture governing our Convertible Notes and the Credit Agreement to incur additional debt under certain conditions, including additional secured debt. If new debt were to be incurred in the future, the related risks that we now face could intensify.

Our level of indebtedness could have important consequences on our future operations, including:

- making it more difficult for us to satisfy our payment and other obligations under the Convertible Notes, the Credit Agreement or our other outstanding debt from time to time;
- risking an event of default if we fail to comply with the financial and other covenants contained in the Convertible Notes indenture or the Credit Agreement, which could result in the Convertible Notes or any

outstanding bank debt becoming immediately due and payable and could permit the lenders under the Credit Agreement to foreclose on the assets securing such bank debt;

- subjecting us to the risk of increased sensitivity to interest rate increases on our debt with variable interest rates, including the debt that we may incur under the Credit Agreement;
- reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us under the Credit Agreement, the indenture governing the Convertible Notes or otherwise in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs.

The accounting method for convertible debt securities that may be settled in cash, such as the notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, or FASB, issued ASC 470-20, Debt with Conversion and Other Options. Under ASC 470-20, companies are required to separately account for the liability and equity components of convertible debt instruments that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The equity component of our Convertible Notes is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as an original issue discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. ASC 470-20 requires interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes. In addition, under certain circumstances, the convertible debt instruments that may be settled entirely or partly in cash will be accounted for utilizing the treasury stock method beginning in the first quarter of fiscal 2018, the effect of which is that the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share would be adversely affected.

The covenants in the Credit Agreement impose restrictions that may limit our operating and financial flexibility.

The Credit Agreement includes certain covenants that limit (subject to certain exceptions) our ability to, among other things: (i) incur or guarantee additional indebtedness; (ii) incur or suffer to exist liens securing indebtedness; (iii) make investments; (iv) consolidate, merge or transfer all or substantially all of our assets; (v) sell assets; (vi) pay dividends or other distributions on, redeem or repurchase capital stock; (vii) enter into transactions with affiliates; (viii) amend, modify, prepay or redeem subordinated indebtedness; (ix) enter into certain restrictive agreements; (x) engage in a new line of business; and (xi) enter into sale leaseback transactions. In addition, the Credit Agreement contains financial covenants that (i) restrict the amount of capital expenditures that may be made in any fiscal year, (ii) require the ratio of the amount of our consolidated total indebtedness to consolidated EBITDA to be less than certain maximum ratio levels, and (iii) require the ratio of the amount of our consolidated EBITDA to consolidated interest expense to be greater than a certain minimum ratio level.

If we violate these covenants and are unable to obtain waivers, our debt under the Credit Agreement would be in default and could be accelerated, and could permit, in the case of secured debt, the lenders to foreclose on our assets securing the Credit Agreement. If the indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt is in default for any reason, our cash flows, results of operations or financial condition could be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

If we are unable to maintain effective internal control over our financial reporting, we may incur significant expenses to remediate internal control deficiencies, lose investor confidence and our share price may decline.

We are subject to rules adopted by the SEC, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or SOX, which requires us to include in our quarterly and annual reports on Forms 10-Q and 10-K, our management's report on, and assessment of the effectiveness of, our internal control over financial reporting. We have concluded that our internal control over financial reporting is effective, however, we need to maintain our existing processes and systems and incorporate and adapt such processes and systems as our business grows and changes, including in connection with planned acquisitions. This continuous process of maintaining and adapting our internal controls and complying with SOX is expensive, time-consuming and requires significant management attention. We cannot be certain that we will be able to maintain adequate and effective internal controls over our, and our acquired companies' financial processes and reporting and ensure compliance with SOX and SEC rules. Further, as we grow our company, including through acquisitions, our internal controls may become more complex and may require significantly more resources to ensure they remain effective. Failure to comply with SOX and SEC rules, including a delay in or failure to successfully integrate new businesses into our internal control over financial reporting, a failure to implement required new or improved controls, or difficulties encountered in the implementation of such new or improved controls, could harm our operating results or cause us to not meet our reporting obligations. If we or our auditors identify material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our consolidated financial statements and the trading price of our common stock may decline. Remediation of a material weakness could require us to incur significant expense and expend significant management attention. Failure to remedy any material weakness could result in inaccurate financial statements, an inability for the company to report our financial results on a timely and accurate basis, a loss in investor confidence, decline in the trading price of our common stock, restriction on access to worldwide capital markets, and sanctions or investigation by regulatory authorities, including the SEC or The NASDAQ Global Select Market.

Repatriation of our foreign earnings to the United States or changes in tax laws may adversely affect our future reported tax rates and financial results or the way we conduct our business.

We consider the undistributed operating earnings of certain foreign subsidiaries, which totaled approximately \$699.5 million as of the end of fiscal 2017, to be indefinitely invested outside the United States and have not provided for U.S. federal and state income taxes that may result from future remittances of these undistributed operating earnings. Proposals to reform U.S. tax laws, including proposals that could reduce or eliminate the deferral of U.S. income tax on our foreign subsidiaries' undistributed earnings, could require those earnings to be taxed at the U.S. federal income tax rate. If we do need to access our foreign subsidiaries' undistributed earnings for our domestic operations, we would be required to accrue and pay U.S. taxes to repatriate these funds, which would adversely impact our financial position and results of operations. Additionally, if changes to tax laws or Tax Court decisions invalidate existing tax laws or regulations upon which we have relied, this could adversely impact our financial position and results of operations.

If tax laws change in the jurisdictions in which we do business or if we receive a material tax assessment in connection with an examination of our income tax returns, our consolidated financial position, results of operations and cash flows could be adversely affected.

We are subject to U.S. federal, state, and foreign income taxes in the various jurisdictions in which we do business. Our future effective tax rates and the value of our deferred tax assets could be adversely affected by changes in tax laws in those jurisdictions. In addition, we are subject to the examination of our income tax returns by the tax authorities in the jurisdictions in which we do business. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of highly complex tax laws. Our results have in the past, and could in the future, include favorable and unfavorable adjustments to our estimated tax liabilities in the period a determination of such estimated tax liability is made or resolved, upon the filing of an amended return, upon a change in facts, circumstances, or interpretation, or upon the expiration of a statute of limitation. While we believe we have adequately provided for reasonably foreseeable outcomes in connection with the resolution of income tax uncertainties, the resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our consolidated financial position, result of operations, or cash flows.

We may incur material environmental liabilities as a result of prior operations at an acquired company.

In connection with our acquisition in July 2017 of Conexant Systems, LLC, we agreed to assume certain environmental liabilities, including remediation of environmental impacts at a property formerly owned and operated by Conexant Systems, LLC, (the "Conexant Site") and for potential future claims alleging personal injury or property damage related to the environmental impacts at and about the Conexant Site. We continue to incur costs to investigate and remediate the Conexant Site's environmental impacts, and we are at risk for future personal injury and property damage claims related to the Conexant Site. Various federal, state and local authorities regulate the release of hazardous substances into the environment and can impose substantial fines if our remediation efforts at or about the Conexant Site fail or are deemed inadequate. In addition, changes in laws, regulations and enforcement policies, the discovery of previously unknown contamination at the Conexant Site, the implementation of new technology at the Conexant Site, or the establishment or imposition of stricter federal state, or local cleanup standards or requirements with respect to the Conexant Site could require us to incur additional costs in the future that would have a negative effect on our financial condition or results of operations.

We face risks associated with security breaches or cyber-attacks.

We face risks associated with security breaches or cyber-attacks of our computer systems or those of our third-party representatives, vendors, and service providers. Although we have implemented security procedures and controls to address these threats, our systems may still be vulnerable to data theft, computer viruses, programming errors, attacks by third parties, or similar disruptive problems. If our systems, or systems owned by third parties affiliated with our company, were breached or attacked, the proprietary and confidential information of our company and our customers could be disclosed and we may be required to incur substantial costs and liabilities, including the following: liability for stolen assets or information; costs of repairing damage to our systems; lost revenue and income resulting from any system downtime caused by such breach or attack; loss of competitive advantage if our proprietary information is obtained by competitors as a result of such breach or attack; increased costs of cyber security protection; costs of incentives we may be required to offer to our customers or business partners to retain their business; damage to our reputation; and expenses to rectify the consequences of the security breach or cyber-attack. In addition, any compromise of security from a security breach or cyber-attack could deter customers or business partners from entering into transactions that involve providing confidential information to us. As a result, any

compromise to the security of our systems could have a material adverse effect on our business, reputation, financial condition, and operating results.

If we are unable to obtain stockholder approval of additional shares for our share-based compensation award programs, we could be at a competitive disadvantage in the marketplace for qualified personnel or may be required to increase the cash element of our compensation program.

Competition for qualified personnel in our industry is extremely intense, particularly for engineering and other technical personnel. Our compensation program, which includes cash and share-based compensation award components, has been instrumental in attracting, hiring, motivating, and retaining qualified personnel. Our success depends on our continued ability to use our share-based compensation programs to effectively compete for engineering and other technical personnel and professional talent without significantly increasing cash compensation costs. In the future, if we are unable to obtain stockholder approval of additional shares for our share-based compensation award programs, we could be at a competitive disadvantage in the marketplace for qualified personnel or we may be required to increase the cash elements of our compensation program to account for this disadvantage.

The accounting requirements for income taxes on certain of our share-based compensation awards may subject our future quarterly and annual effective tax rates to volatility.

We recognize a tax benefit upon expensing nonqualified stock options and deferred stock units, or DSUs, issued under our share-based compensation plans. However, under current accounting standards, we cannot recognize that tax benefit concurrent with expensing incentive stock options and employee stock purchase plan shares (qualified stock options) issued under our share-based compensation plans. For qualified stock options that vested after our adoption of the applicable accounting standards, we recognize the tax benefit only in the period when disqualifying dispositions of the underlying stock occur and, for qualified stock options that vested prior to our adoption of the applicable accounting standards, the tax benefit is recorded directly to additional paid-in capital. Accordingly, because we cannot recognize the tax benefit for share-based compensation expense associated with qualified stock options until the occurrence of future disqualifying dispositions of the underlying stock, such disqualified dispositions may happen in periods when our stock price substantially increases, and because a portion of that tax benefit may be directly recorded to additional paid-in capital, our future quarterly and annual effective tax rates may be subject to volatility.

Our charter documents and Delaware law could make it more difficult for a third party to acquire us, and discourage a takeover.

Our certificate of incorporation and the Delaware General Corporation Law contain provisions that may have the effect of making more difficult or delaying attempts by others to obtain control of our company, even when such attempts may be in the best interests of our stockholders. Our certificate of incorporation also authorizes our Board of Directors, without stockholder approval, to issue one or more series of preferred stock, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of our common stock. Delaware law also imposes conditions on certain business combination transactions with “interested stockholders.” Our certificate of incorporation divides our Board of Directors into three classes, with one class to stand for election each year for a three-year term after the election. The classification of directors tends to discourage a third party from initiating a proxy solicitation or otherwise attempting to obtain control of our company and may maintain the incumbency of our Board of Directors, as this structure generally increases the difficulty of, or may delay, replacing a majority of directors. Our certificate of incorporation authorizes our Board of Directors to fill vacancies or newly created directorships. A majority of the directors then in office may elect a successor to fill any vacancies or newly created directorships, thereby increasing the difficulty of, or delaying a third party’s efforts in, replacing a majority of directors.

The market price of our common stock has been and may continue to be volatile.

The trading price of our common stock has been and may continue to be subject to wide fluctuations in response to various factors, including the following:

- variations in our quarterly results;
- the financial guidance we may provide to the public, any changes in such guidance, or our failure to meet such guidance;
- changes in financial estimates by industry or securities analysts or our failure to meet such estimates;

- various market factors or perceived market factors, including rumors, whether or not correct, involving us, our customers, our suppliers, or our competitors;
- announcements of technological innovations by us, our competitors, or our customers;
- introductions of new products or new pricing policies by us, our competitors, or our customers;
- acquisitions or strategic alliances by us, or our competitors, or our customers;
- recruitment or departure of key personnel;
- the gain or loss of significant orders;
- the gain or loss of significant customers;
- market conditions in our industry, the industries of our customers, and the economy as a whole;
- short positions held by investors;
- new federal and state laws and regulations affecting our industry; and
- general financial market conditions or occurrences, including market volatility resulting from geopolitical risks, acts of war, terrorist attacks, cybersecurity attacks, financial market technological glitches and interruptions of trading activity.

In addition, stocks of technology companies have experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to these companies' operating performance. Public announcements by technology companies concerning, among other things, their performance, accounting practices, or legal problems could cause the market price of our common stock to decline regardless of our actual operating performance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal executive offices, as well as our principal research and development, sales, marketing, and administrative functions, are located in San Jose, California, where we own and utilize approximately 213,000 square feet of facilities. We also have research and development functions in leased offices in New York, Arizona, Texas, and Georgia. Our two Asia/Pacific principal offices are located in leased offices in Hong Kong and Japan, where we have sales, operations, and research and development functions. We have leased facilities with logistics operations in Hong Kong and Japan, leased facilities with sales and support operations in China, Hong Kong, Japan, Korea, Switzerland and Taiwan, and leased facilities with engineering design support operations in Armenia, China, India, Japan, Korea, Switzerland and Taiwan.

ITEM 3. LEGAL PROCEEDINGS

We are party to various litigation matters and claims arising from time to time in the ordinary course of business. While the results of such matters cannot be predicted with certainty, we believe that the final outcome of such matters will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

For further information regarding current legal proceedings, see Note 8 Commitments and Contingencies to the financial statements contained elsewhere in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information on Common Stock

Our common stock has been listed on the NASDAQ Global Select Market (formerly the Nasdaq National Market) under the symbol "SYNA" since January 29, 2002. Prior to that time, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as quoted on the NASDAQ Global Select Market.

	<u>High</u>	<u>Low</u>
Fiscal 2017:		
First quarter	\$ 61.54	\$ 47.09
Second quarter	\$ 69.45	\$ 48.87
Third quarter	\$ 61.95	\$ 47.32
Fourth quarter	\$ 64.54	\$ 47.00
Fiscal 2016:		
First quarter	\$ 89.90	\$ 61.42
Second quarter	\$ 94.48	\$ 62.68
Third quarter	\$ 86.76	\$ 57.02
Fourth quarter	\$ 90.91	\$ 51.80

Stockholders

As of August 11, 2017, there were approximately 143 holders of record of our common stock. The closing price of our common stock as quoted on the NASDAQ Global Select Market as of August 11, 2017 was \$40.90.

Dividends

We have never declared or paid cash dividends on our common stock. We currently plan to retain all earnings to finance the growth of our business, make our debt payments, or purchase shares under our common stock repurchase program. Payments of any cash dividends in the future will depend on our financial condition, operating results, and capital requirements, as well as other factors deemed relevant by our Board of Directors.

Our Credit Agreement also places restrictions on the payment of any dividends. For a further description of the terms of the Credit Agreement, see Note 7 Debt to the consolidated financial statements contained elsewhere in this report.

Stock-Based Compensation

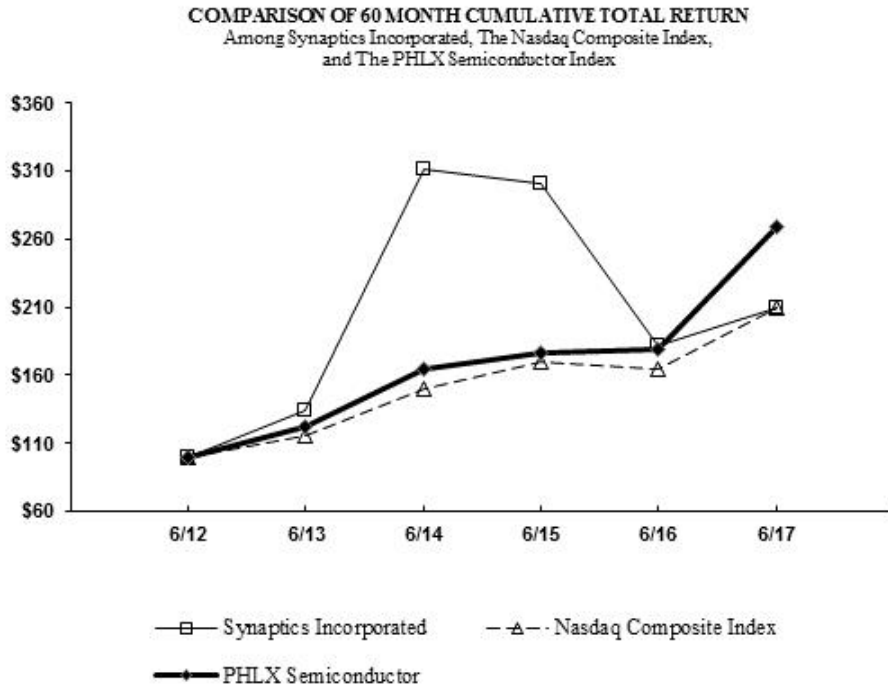
For information on securities authorized for issuance under our equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Issuer Purchases of Equity Securities

From April 2005 through July 2017, our Board of Directors cumulatively authorized \$1.3 billion for our common stock repurchase program, which expires in July 2019. There were no repurchases under the stock repurchase program during the three-month period ended June 24, 2017. On June 26, 2017, subsequent to the end of our fiscal 2017, we purchased 1,698,400 shares of our common stock for \$93.6 million. In July 2017, our Board of Directors authorized the purchase of up to an additional \$0.2 million of our common stock, bringing the remaining amount authorized for repurchase under our stock repurchase program to \$226.1 million as of July 31, 2017.

Performance Graph

The following line graph compares cumulative total stockholder returns for the five years ended June 30, 2017 for (i) our common stock, (ii) the Nasdaq Composite Index and (iii) the Philadelphia Semiconductor Index. The graph assumes an investment of \$100 on June 30, 2012. The calculations of cumulative stockholder return on the Nasdaq Composite Index and the Philadelphia Semiconductor Index include reinvestment of dividends. The calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay any dividends during the measurement period. The historical performance shown is not necessarily indicative of future performance.



The performance graph above shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. The performance graph above will not be deemed incorporated by reference into any filing of our company under the Exchange Act or the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial data for each fiscal year in the five-year period ended June 30, 2017. Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. All fiscal years presented were 52-week periods. Our past results of operations are not necessarily indicative of our future results of operations. You should read the selected financial data below in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes contained elsewhere in this report.

	2017	2016	2015	2014	2013
	(in millions, except per share amounts)				
Consolidated Statements of Income Data:					
Net revenue	\$ 1,718.2	\$ 1,666.9	\$ 1,703.0	\$ 947.5	\$ 663.6
Cost of revenue	1,194.6	1,085.4	1,124.3	511.4	337.8
Gross margin	523.6	581.5	578.7	436.1	325.8
Operating expenses:					
Research and development	292.3	311.2	293.2	192.7	144.7
Selling, general, and administrative	137.6	161.7	127.9	100.0	79.6
Acquired intangibles amortization	11.7	18.6	14.2	1.0	1.0
Impairment of acquired intangibles	—	6.7	—	—	—
Change in contingent consideration	—	(0.5)	(18.8)	69.9	1.3
Restructuring costs	7.3	8.6	—	—	—
Litigation settlement charge	10.0	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	(1.5)
Total operating expenses	458.9	506.3	416.5	363.6	225.1
Operating income	64.7	75.2	162.2	72.5	100.7
Interest income	0.7	3.1	1.6	2.0	1.0
Interest expense	(6.0)	(4.8)	(3.8)	—	—
Impairment recovery on investments, net	1.9	2.1	0.2	—	—
Income before provision for income taxes	61.3	75.6	160.2	74.5	101.7
Provision for income taxes	12.2	3.4	49.8	27.8	2.8
Equity investment loss	(0.3)	—	—	—	—
Net income	\$ 48.8	\$ 72.2	\$ 110.4	\$ 46.7	\$ 98.9
Net income per share:					
Basic	\$ 1.40	\$ 1.97	\$ 2.99	\$ 1.34	\$ 3.03
Diluted	\$ 1.37	\$ 1.91	\$ 2.84	\$ 1.26	\$ 2.89
Shares used in computing net income per share:					
Basic	34.8	36.6	36.9	34.8	32.7
Diluted	35.6	37.9	38.9	37.1	34.2
Consolidated Balance Sheets Data:					
Cash, cash equivalents, and short-term investments	\$ 367.8	\$ 352.2	\$ 399.9	\$ 447.2	\$ 355.3
Working capital	481.6	429.3	469.3	488.1	410.8
Total assets	1,266.7	1,300.2	1,519.4	1,020.3	691.3
Long-term debt	202.0	216.7	231.1	—	2.3
Treasury shares, at cost	980.3	892.3	651.7	530.4	460.2
Total stockholders' equity	740.2	705.0	793.1	701.2	521.9

Our basic net income per share amounts for each period presented have been computed using the weighted average number of shares of common stock outstanding. Our diluted net income per share amounts for each period presented include the weighted average effect of potentially dilutive shares. We used the "treasury stock" method to determine the dilutive effect of our stock options, Deferred Stock Units, or DSUs, Market Stock Units, or MSUs, and convertible notes.

Forward-Looking Statements and Factors That May Affect Results

You should read the following discussion and analysis in conjunction with our financial statements and related notes contained elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those set forth elsewhere in this report under Item 1A. Risk Factors.

Overview

We are a leading worldwide developer and supplier of custom-designed human interface semiconductor product solutions that enable people to interact more easily and intuitively with a wide variety of mobile computing, communications, entertainment, and other electronic devices. We believe our results to date reflect the combination of our customer focus and the strength of our intellectual property and our engineering know-how, which allow us to develop or engineer products that meet the demanding design specifications of our OEMs.

We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred and title has transferred, the price is fixed or determinable, and collection is reasonably assured. Our net revenue increased from \$663.6 million for fiscal 2013 to \$1,718.2 million for fiscal 2017, representing a compound annual growth rate of approximately 27%. For fiscal 2013, we derived 36.1% of our net revenue from the personal computer market and 63.9% of our net revenue from the mobile product applications market. For fiscal 2017, revenue from the personal computer market accounted for 13.3% of our net revenue and revenue from the mobile product applications market accounted for 86.7% of our net revenue.

Many of our customers have manufacturing operations in China, and many of our OEM customers have established design centers in Asia. With our expanding global presence, including offices in Armenia, China, Hong Kong, India, Japan, Korea, Switzerland, Taiwan, and the United States, we are well positioned to provide local sales, operational, and engineering support services to our existing customers, as well as potential new customers, on a global basis.

Our manufacturing operations are based on a variable cost model in which we outsource all of our production requirements and generally drop ship our products directly to our customers from our contract manufacturers' facilities, eliminating the need for significant capital expenditures and allowing us to minimize our investment in inventories. This approach requires us to work closely with our contract manufacturers and semiconductor fabricators to ensure adequate production capacity to meet our forecasted volume requirements. We provide our contract manufacturers with six-month rolling forecasts and issue purchase orders based on our anticipated requirements for the next 90 days. However, we do not have any long-term supply contracts with any of our contract manufacturers. We use third-party wafer manufacturers to supply wafers and third-party packaging manufacturers to package our proprietary ASICs. In certain cases, we rely on a single source or a limited number of suppliers to provide other key components of our products. Our cost of revenue includes all costs associated with the production of our products, including materials, logistics, amortization of intangibles related to acquired developed technology, backlog, and supplier arrangements, manufacturing, assembly, and test costs paid to third-party manufacturers; and related overhead costs associated with our indirect manufacturing operations personnel. Additionally, we charge all warranty costs, losses on inventory purchase obligations, and write-downs to reduce the carrying value of obsolete, slow moving, and non-usable inventory to net realizable value to cost of revenue.

Our gross margin generally reflects the combination of the added value we bring to our OEM customers' products by meeting their custom design requirements and the impact of our ongoing cost-improvement programs. These cost-improvement programs include reducing materials and component costs, and implementing design and process improvements. Our newly introduced products may have lower margins than our more mature products, which have realized greater benefits associated with our ongoing cost-improvement programs. As a result, new product introductions may initially negatively impact our gross margin.

Our research and development expenses include costs for supplies and materials related to product development as well as the engineering costs incurred to design ASICs and human interface solutions for OEM customers prior to and after their commitment to incorporate those solutions into their products. We continue to commit to the technological and design innovation required to maintain our position in our existing markets, and to adapt our existing technologies or develop new technologies for new markets.

Selling, general, and administrative expenses include expenses related to sales, marketing, and administrative personnel; internal sales and outside sales representatives' commissions; market and usability research; outside legal, accounting, and consulting costs; and other marketing and sales activities.

Acquired intangibles amortization is the amortization of the cost of our acquired intangible assets related to customer relationships and patents which are amortized over their estimated useful lives ranging from 2.8 to 7.7 years.

Impairment of acquired intangibles represents the reduction of the carrying value of intangibles which have been determined unrecoverable.

Restructuring costs primarily reflect severance and facilities consolidation costs related to restructuring of our operations to reduce operating costs. These headcount-related costs were in cost of revenue, research and development, and selling, general and administrative (see Note 14 Restructuring Activities to the financial statements contained elsewhere in this report).

The litigation settlement charge reflects costs recorded in connection with certain legal proceedings further discussed under Note 8 to the consolidated financial statements contained elsewhere in this Report.

Equity investment loss includes amortization of intangible assets reflected under the equity method of accounting in connection with our investment in OXi Technology Ltd. (see Note 1 Organization and Summary of Significant Accounting Policies to the financial statements contained elsewhere in this report).

Acquisitions and Financing Activities

On June 11, 2017, we entered into a stock purchase agreement to acquire all of the outstanding limited liability company interests of Conexant. Effective as of July 25, 2017, or the Closing Date, we completed the Conexant Acquisition of 100% of the outstanding capital stock of Conexant for a purchase price of (i) \$305.8 million in cash (on a cash-free, debt-free basis), and (ii) 726,666 shares of our common stock (the Stock Consideration), with \$16.8 million of the purchase price held in escrow to secure the Seller's indemnification obligations under the purchase agreement. The Stock Consideration was issued at closing in an exempt private placement.

On June 11, 2017, the Company entered into an asset purchase agreement to acquire the multimedia solutions business of Marvell Technology Group Ltd. ("Marvell") for a purchase price of \$95 million in cash (the "Marvell Business Acquisition"). The Marvell Business Acquisition is intended to increase our presence in the smart home market and increase opportunities to drive increased revenue. We expect to close the Marvell Business Acquisition in the first quarter of our fiscal 2018.

On June 20, 2017, we entered into a purchase agreement (the "Purchase Agreement") with Wells Fargo Securities, LLC, as representative of the several initial purchasers named therein (collectively, the "Initial Purchasers"), pursuant to which we agreed to issue and sell, and the Initial Purchasers agreed to purchase, \$500 million aggregate principal amount of the Company's 0.50% Convertible Senior Notes due 2022 (the "Notes") in a private placement transaction. Pursuant to the Purchase Agreement, we also granted the Initial Purchasers a 30-day option to purchase up to an additional \$25 million aggregate principal amount of Notes, which was exercised in full on June 21, 2017. The net proceeds from the Offering, after deducting discounts and commissions and estimated offering expenses payable by the Company, were approximately \$514.5 million, which includes proceeds from the exercise of the Initial Purchasers' option to purchase additional Notes. The Offering was completed on June 26, 2017. See Subsequent Events in Note 15 to the financial statements contained elsewhere in this report.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, cost of revenue, inventories, product warranty, share-based compensation costs, provision for income taxes, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, goodwill, intangible assets, investments, and contingencies. We base our estimates on historical experience, applicable laws and regulations, and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making

judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The methods, estimates, interpretations, and judgments we use in applying our most critical accounting policies can have a significant impact on the results that we report in our consolidated financial statements. The SEC considers an entity's most critical accounting policies to be those policies that are both most important to the portrayal of the entity's financial condition and results of operations and those that require the entity's most difficult, subjective, or complex judgments, often as a result of the need to make assumptions and estimates about matters that are inherently uncertain. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred and title has transferred, the price is fixed or determinable, and collection is reasonably assured. We accrue for estimated sales returns, incentives, and other allowances at the time we recognize revenue. Our products contain embedded firmware and software, which together with, or consisting of, our ASIC chip, deliver the essential functionality of our products and, as such, software revenue recognition guidance is not applicable. Our sales to distributors are made under agreements that generally do not provide for price adjustments after purchase and provide for only limited return rights under product warranty. Revenue on these sales is recognized in the same manner as sales to our non-distributor customers. When sales rebates and price allowances are applicable they are estimated and recorded in the period the related revenue is recognized.

Inventory

We state our inventories at the lower of cost or market. We base our assessment of the ultimate realization of inventories on our projections of future demand and market conditions. Sudden declines in demand, rapid product improvements, or technological changes, or any combination of these factors can cause us to have excess or obsolete inventories. On an ongoing basis, we review for estimated obsolete or unmarketable inventories and write down our inventories to their net realizable value based on our forecasts of future demand and market conditions. If actual market conditions are less favorable than our forecasts, additional inventory write-downs may be required. The following factors influence our estimates: changes to or cancellations of customer orders, unexpected decline in demand, rapid product improvements and technological advances, and termination or changes by our OEM customers of any product offerings incorporating our product solutions.

Periodically, we purchase inventory from our contract manufacturers when a customer delays its delivery schedule or cancels its order. In those circumstances, we record a write-down, if necessary, to reduce the carrying value of the inventory purchased to its net realizable value. The effect of these write-downs is to establish a new cost basis in the related inventory, which we do not subsequently write up. We also record a liability and charge to cost of revenue for estimated losses on inventory we are obligated to purchase from our contract manufacturers when such losses become probable from customer delays or order cancellations.

Acquired Intangibles

We review acquired intangible assets with finite lives for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability of these intangible assets is assessed based on the estimated undiscounted future cash flows expected to result from the use of the asset. If the undiscounted future cash flows are less than the carrying amount, the acquired intangible assets with finite lives are considered to be impaired. The amount of the impairment is measured as the difference between the carrying amount of these assets and the fair value.

Our business combinations have included the purchase of in-process research and development assets that are not amortizable until the underlying project is complete. We consider our in-process research and development projects to be complete when all material research and development costs have been incurred and no significant risks remain. We review the carrying value of indefinite-lived intangible assets for impairment at least annually during the last quarter of our fiscal year, or more frequently if we believe indicators of impairment exist.

Business Combinations

We have applied significant estimates and judgments in order to determine the fair value of the identified assets acquired, liabilities assumed, goodwill recognized, and contingent consideration recorded in connection with our business combinations to ensure the value of the assets and liabilities acquired are recognized at fair value as of the acquisition date. In measuring the fair value, we utilize valuation techniques consistent with the market approach, income approach, or cost approach.

The valuation of the identifiable assets and liabilities includes assumptions made in performing the valuation, such as projected revenue, weighted average cost of capital, discount rates, estimated useful lives, estimated probabilities of achieving contingent payment milestones, and other relevant assessments. These assessments can be significantly affected by our estimates, judgments, and assumptions. If actual results are not consistent with our estimates, judgments, or assumptions, or if additional or new information arises in the future that affects our fair value estimates, then adjustments to our initial fair value estimates may have a material impact to our purchase accounting or our results of operations.

Income Taxes

We recognize federal, foreign, and state current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year for each tax jurisdiction. We also recognize federal, foreign, and state deferred tax liabilities or assets based on our estimate of future tax effects attributable to temporary differences and carryforwards and record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and our judgment, are not expected to be realized. If our assumptions, and consequently our estimates, change in the future, the valuation allowance we established for our deferred tax assets may change, which could impact income tax expense.

We use a two-step approach to recognizing and measuring the tax benefits related to uncertain tax positions. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement with a taxing authority. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of highly complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our consolidated financial position, result of operations, or cash flows. We believe we have adequately provided for reasonably foreseeable outcomes in connection with the resolution of income tax uncertainties. However, our results have in the past, and could in the future, include favorable and unfavorable adjustments to our estimated tax liabilities in the period a determination of such estimated tax liability is made or resolved, upon the filing of an amended return, upon a change in facts, circumstances, or interpretation, or upon the expiration of a statute of limitation. Accordingly, our effective tax rate could fluctuate materially from period to period.

We consider the operating earnings of our foreign subsidiaries to be indefinitely invested outside the United States. Accordingly, no provision has been made for the U.S. federal, state, or foreign taxes that may result from future remittances of undistributed earnings of our foreign subsidiaries.

We recognize a tax benefit upon expensing certain share-based awards associated with our share-based compensation plans, including nonqualified stock options, DSUs, and MSUs, but we cannot recognize tax benefits concurrent with the recognition of share-based compensation expenses associated with qualified stock options (incentive stock options and employee stock purchase plan shares). For qualified stock options, we recognize a tax benefit only in the period when disqualifying dispositions of the underlying stock occur, which historically has been up to several years after vesting and in a period when our stock price substantially increases. As a result, our future quarterly and annual effective tax rates may be subject to volatility.

Results of Operations

The following sets forth certain of our consolidated statements of income data for fiscal 2017, 2016, and 2015, along with comparative information regarding the absolute and percentage changes in these amounts (in millions, except percentages):

	2017 (1)	2016 (1)	\$ Change	% Change	2016 (1)	2015 (1)	\$ Change	% Change
Mobile product applications	\$ 1,489.0	\$ 1,459.5	\$ 29.5	2.0%	\$ 1,459.5	\$ 1,442.1	\$ 17.4	1.2%
PC product applications	229.2	207.4	21.8	10.5%	207.4	260.9	(53.5)	(20.5%)
Net revenue	1,718.2	1,666.9	51.3	3.1%	1,666.9	1,703.0	(36.1)	(2.1%)
Gross margin	523.6	581.5	(57.9)	(10.0%)	581.5	578.7	2.8	0.5%
Operating expenses:								
Research and development	292.3	311.2	(18.9)	(6.1%)	311.2	293.2	18.0	6.1%
Selling, general, and administrative	137.6	161.7	(24.1)	(14.9%)	161.7	127.9	33.8	26.4%
Acquired intangibles amortization	11.7	18.6	(6.9)	(37.1%)	18.6	14.2	4.4	31.0%
Impairment of acquired intangibles	—	6.7	(6.7)	100.0%	6.7	—	6.7	100.0%
Change in contingent consideration	—	(0.5)	0.5	(100.0%)	(0.5)	(18.8)	18.3	(97.3%)
Restructuring costs	7.3	8.6	(1.3)	(15.1%)	8.6	—	8.6	100.0%
Litigation settlement charge	10.0	—	10.0	100.0%	—	—	—	0.0%
Operating income	64.7	75.2	(10.5)	(14.0%)	75.2	162.2	(87.0)	(53.6%)
Interest and other income, net	2.6	5.2	(2.6)	(50.0%)	5.2	1.8	3.4	188.9%
Interest expense	(6.0)	(4.8)	(1.2)	25.0%	(4.8)	(3.8)	(1.0)	26.3%
Income before provision for income taxes	61.3	75.6	(14.3)	(18.9%)	75.6	160.2	(84.6)	(52.8%)
Provision for income taxes	12.2	3.4	8.8	258.8%	3.4	49.8	(46.4)	(93.2%)
Equity investment loss	(0.3)	—	(0.3)	100.0%	—	—	—	0.0%
Net income	\$ 48.8	\$ 72.2	\$ (23.4)	(32.4%)	\$ 72.2	\$ 110.4	\$ (38.2)	(34.6%)

(1) Includes the post-acquisition results of operations from RSP, acquired on October 1, 2014 (see Note 5 to the financial statements contained elsewhere in this report)

The following sets forth certain of our consolidated statements of income data as a percentage of net revenues for fiscal 2017, 2016, and 2015:

	2017 (1)	2016 (1)	Percentage Point Increase (Decrease)	2016 (1)	2015(1)	Percentage Point Increase (Decrease)
Mobile product applications	86.7%	87.6%	(0.9%)	87.6%	84.7%	2.9%
PC product applications	13.3%	12.4%	0.9%	12.4%	15.3%	(2.9%)
Net revenue	100.0%	100.0%		100.0%	100.0%	
Gross margin	30.5%	34.9%	(4.4%)	34.9%	34.0%	0.9%
Operating expenses:						
Research and development	17.0%	18.7%	(1.7%)	18.7%	17.2%	1.5%
Selling, general, and administrative	8.0%	9.7%	(1.7%)	9.7%	7.5%	2.2%
Acquired intangibles amortization	0.7%	1.1%	(0.4%)	1.1%	0.8%	0.3%
Impairment of acquired intangibles	0.0%	0.4%	(0.4%)	0.4%	0.0%	0.4%
Change in contingent consideration	0.0%	0.0%	0.0%	0.0%	(1.1%)	1.1%
Restructuring costs	0.4%	0.5%	(0.1%)	0.5%	0.0%	0.5%
Litigation settlement charge	0.6%	0.0%	0.6%	0.0%	0.0%	0.0%
Operating income	3.8%	4.5%	(0.7%)	4.5%	9.5%	(5.0%)
Income before provision for income taxes	3.6%	4.5%	(0.9%)	4.5%	9.4%	(4.9%)
Provision for income taxes	0.7%	0.2%	0.5%	0.2%	2.9%	(2.7%)
Equity investment loss	(0.1%)	0.0%	(0.1%)	0.0%	0.0%	0.0%
Net income	2.8%	4.3%	(1.5%)	4.3%	6.5%	(2.2%)

(1) Includes the post-acquisition results of operations from RSP, acquired on October 1, 2014 (see Note 5 to the financial statements contained elsewhere in this report).

Net Revenue.

Net revenue was \$1,718.2 million for fiscal 2017 compared with \$1,666.9 million for fiscal 2016, an increase of \$51.3 million, or 3.1%. Of our fiscal 2017 net revenue, \$1,489.0 million, or 86.7%, of net revenue was from the mobile product applications market and \$229.2 million, or 13.3%, of net revenue was from the PC product applications market. The overall increase in net revenue for fiscal 2017 was attributable to a \$29.5 million, or 2.0%, increase in net revenue from mobile product applications, despite a 16.5% decline in revenue from our discrete display products which are incorporated into smartphones; and an increase of \$21.8 million, or 10.5%, in net revenue from PC product applications. We anticipate that the decline in discrete display products will continue as OLED solutions are designed into high-end products. The increase in mobile product applications was driven by an increase in the units sold (12.7% more units), partially offset by a decrease in average selling prices (which decreased 9.5%). The increase in net revenue from PC product applications was driven by an increase in the units sold (7.0% more units) as well as an increase in average selling prices (which increased 3.2%).

Gross Margin.

Gross margin as a percentage of net revenue was 30.5%, or \$523.6 million, for fiscal 2017 compared with 34.9%, or \$581.5 million, for fiscal 2016. The 440 basis point decline in gross margin was primarily due to product mix, including the impact of lower margins on TDDI products and technical issues associated with new optical fingerprint solutions. While gross margin as a percentage of net revenue was negatively impacted by the lower margins on TDDI products, we expect that future generations of TDDI products will be manufactured at lower costs and will deliver gross margins more in-line with corporate averages. Similarly, while the ramp of new fingerprint products negatively impacted our gross margin, we expect gross margins on these new fingerprint products will also fall in-line with our corporate averages when ramped up.

We continuously introduce new product solutions, many of which have life cycles of less than one year. Further, because we sell our technology solutions in designs that are generally unique or specific to an OEM customer's application, gross margin varies on a product-by-product basis, making our cumulative gross margin a blend of our product specific designs. As a virtual manufacturer, our gross margin percentage is generally not materially impacted by our shipment volume. We charge losses on inventory purchase obligations and write-downs to reduce the carrying value of obsolete, slow moving, and non-usable inventory to net realizable value (including warranty costs) to cost of revenue.

Operating Expenses.

Research and Development Expenses. Research and development expenses decreased \$18.9 million, to \$292.3 million, for fiscal 2017 compared with fiscal 2016. The decrease in research and development expenses primarily reflected (i) an \$11.1 million decrease in employee compensation and employment-related costs, resulting from a 3% decrease in research and development headcount which included a reduction in headcount due to a restructuring of operations to reduce operating costs, (ii) a \$6.3 million decrease in non-employee services, (iii) a \$5.4 million decrease in infrastructure costs related to facilities, partially offset by a \$6.2 million increase in supplies and project related costs.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased \$24.1 million, to \$137.6 million, for fiscal 2017 compared with fiscal 2016. The decrease in selling, general, and administrative expenses primarily reflected (i) an \$11.6 million decrease in employee compensation and employment-related costs, resulting from an 8% decrease in selling, general, and administrative headcount which included a reduction in headcount due to a restructuring of operations to reduce operating costs, (ii) a \$7.0 million decrease in legal expenses, (iii) a \$5.1 million reduction in foreign currency losses, partially offset by a \$2.9 million increase in facilities related costs, and (iv) a \$2.7 million accrual for payroll deposit penalties related to the timing of tax deposits for stock-based compensation.

Acquired Intangibles Amortization. Acquired intangibles amortization reflects the amortization of intangibles acquired through recent acquisitions. See Note 6 to the consolidated financial statements contained elsewhere in this Report.

Impairment of Acquired Intangibles. Impairment of acquired intangibles represents the reduction of the carrying value of intangible assets which have been determined unrecoverable.

Restructuring costs. Restructuring costs primarily reflect employee severance costs and facilities consolidation costs related to the restructuring of operations to reduce operating costs. These headcount-related costs included personnel in operations, research and development, and selling, general and administrative functions. Restructuring costs incurred in fiscal 2017 and fiscal 2016, respectively, were \$7.3 million and \$8.6 million due to restructuring plans implemented in fiscal

2016. The fiscal 2016 restructuring activities were completed in fiscal 2017. See Note 14 to consolidated the financial statements contained elsewhere in this report.

Litigation settlement charge. We accrued a litigation settlement charge during fiscal 2017 in connection with certain legal proceedings disclosed under Note 8 to the financial statements contained elsewhere in this report.

Non-Operating Income.

Interest and other income, net. Interest and other income, net was \$2.6 million for fiscal 2017 compared with \$5.2 million for fiscal 2016, resulting from an impairment recovery on investments upon redemption and a gain on legal settlement.

Interest expense. Interest expense represents interest on the \$250.0 million in debt borrowed in conjunction with our acquisition of RSP in October 2014. See Notes 5, 7 and 15 to the financial statements contained elsewhere in this report.

Provision for Income Taxes.

Our effective tax rate is largely attributable to the tax rates in the foreign jurisdictions in which our pre-tax profit is recognized for income tax purposes. The foreign tax differential has had a significant downward impact on the reconciliation of our provision at the U.S. Federal statutory rate to the actual provision for taxes for each fiscal year in the three year period ended with fiscal 2017. While the impact of tax in foreign jurisdictions does have the most significant impact on our effective tax rate, the lower tax rate in fiscal 2016 was also driven by the permanent extension of the federal research tax credit and our ongoing tax planning. See Note 12 to the consolidated financial statements for the table reconciling the provision for income taxes from the federal statutory rate for fiscal 2017 and 2016.

It is reasonably possible that the amount of liability for unrecognized tax benefits may change within the next 12 months; an estimate of the range of possible changes could result in a decrease of \$0.9 million to an increase of \$5.8 million.

In July 2015, the U.S. Tax Court issued an opinion in *Altera Corp. v. Commissioner* related to a treasury regulation addressing the treatment of stock-based compensation in a cost-sharing arrangement with a related party. The U.S. Department of the Treasury has not withdrawn the requirement in its regulations related to the treatment of stock-based compensation. The Commissioner filed an appeal to the Ninth Circuit Court of Appeals in February 2016. While we determined no adjustment to our financial statements is required due to the uncertainties with respect to the ultimate resolution, we will continue to monitor developments in this case.

Fiscal 2016 Compared with Fiscal 2015

Net Revenue.

Net revenue was \$1,666.9 million for fiscal 2016 compared with \$1,703.0 million for fiscal 2015, a decrease of \$36.1 million, or 2.1%. Of our fiscal 2016 net revenue, \$1,459.5 million, or 87.6%, of net revenue was from the mobile product applications market and \$207.4 million, or 12.4%, of net revenue was from the PC product applications market. The overall decrease in net revenue for fiscal 2016 was attributable to a decrease of \$53.5 million, or 20.5%, in net revenue from PC product applications; partially offset by a \$17.4 million, or 1.2%, increase in net revenue from mobile product applications which was largely attributable to a 20.3% increase in discrete display products. The decrease in net revenue from PC product applications was driven by a decrease in the units sold (which decreased 17.4%) as well as a decline in average selling prices (which decreased 3.7%). The increase in mobile product applications was driven by an increase in average selling prices (which increased 2.4%), partially offset by a decrease in the units sold (which decreased 1.3%).

Gross Margin.

Gross margin as a percent of net revenue was 34.9%, or \$581.5 million, for fiscal 2016 compared with 34.0%, or \$578.7 million, for fiscal 2015. The 90 point increase in gross margin was primarily due to a reduction of acquisition-related amortization costs related to the acquisition of Renesas SP Drivers, Inc. (the "RSP Acquisition") in October 2014 and higher gross margins on our DDIC products.

Operating Expenses.

Research and Development Expenses. Research and development expenses increased \$18.0 million, to \$311.2 million, for fiscal 2016 compared with fiscal 2015. The increase in research and development expenses primarily reflected (i) a \$15.8 million increase in employee compensation and employment-related costs, resulting from a 16% increase in research and development headcount associated with the expansion of our product portfolio and annual compensation adjustments early in the year, (ii) an \$11.1 million increase in infrastructure costs related to facilities and information technology to support the additional staff early in the year, partially offset by (x) a \$7.8 million decline in non-employee services, and (y) a \$2.3 million decline in travel related costs.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased \$33.8 million, to \$161.7 million, for fiscal 2016 compared with fiscal 2015. The increase in selling, general, and administrative expenses primarily reflected (i) a \$20.5 million change from foreign currency gains in fiscal 2015 to foreign currency losses in fiscal 2016, primarily related to the remeasurement of RSP Acquisition related liabilities denominated in yen, (ii) a \$14.0 million increase in employee compensation and employment-related costs resulting from a 10.0% increase in selling, general, and administrative headcount, including new employees early in the year and annual compensation adjustments, and (iii) a \$12.5 million increase in legal expenses, partially offset by (x) a \$4.2 million decline in facilities related costs, (y) a \$2.9 million decrease in professional services, and (z) a \$2.6 million decrease in travel and related expenses,

Acquired Intangibles Amortization. Acquired intangibles amortization reflects the amortization of intangibles acquired through recent acquisitions. Acquired intangibles amortization increased in fiscal 2016 due to a full year of amortization from intangibles related to the RSP Acquisition in October 2014. See Note 5 to the financial statements contained elsewhere in this report.

Impairment of Acquired Intangibles. Impairment of acquired intangibles represents the reduction of the carrying value of intangibles which have been determined unrecoverable.

Change in Contingent Consideration. Our contingent consideration increased \$18.3 million to a credit of \$0.5 million for fiscal 2016 compared with a credit of \$18.8 million in fiscal 2015. The change was primarily attributable to a small decrease in the fair value of the contingent consideration in fiscal 2016, which resulted from a small adjustment to account for actual unit sales of products embodying the Validity fingerprint sensor technology through the end of the earn-out period.

Restructuring costs. Restructuring costs primarily reflect employee severance costs related to restructuring of operations to reduce operating costs. These headcount-related costs included people in operations, research and development, and selling, general and administrative functions. Restructuring costs incurred in fiscal 2016 were \$8.6 million due to restructuring plans implemented in fiscal 2016. There were no restructuring plans in fiscal 2015. See Note 14 to the financial statements contained elsewhere in this report.

Non-Operating Income.

Interest and other income, net. Interest and other income, net was \$5.2 million for fiscal 2016 compared with \$1.8 million for fiscal 2015, resulting from an impairment recovery on investments upon redemption and a gain on legal settlement.

Interest expense. Interest expense represents interest on the \$250.0 million in debt borrowed in conjunction with our acquisition of RSP in October 2014. See Notes 5 and 7 to the financial statements contained elsewhere in this report.

Provision for Income Taxes.

Our effective tax rate is largely attributable to the tax rates in the foreign jurisdictions in which our pre-tax profit is recognized for income tax purposes. The foreign tax differential has had a significant downward impact on the reconciliation, although somewhat muted in fiscal 2015, of our provision at the U.S. Federal statutory rate to the actual provision for taxes for each fiscal year in the three year period ended with fiscal 2016. While the impact of tax in foreign jurisdictions does have the most significant impact on our effective tax rate, the lower tax rate in fiscal 2016 was also driven by the permanent extension of the federal research tax credit and our ongoing tax planning.

In fiscal 2015, as part of the integration of technology acquired in connection with our acquisition of RSP, we entered into an intercompany transaction whereby we cross-licensed intellectual property rights among our foreign subsidiaries resulting in a lump-sum payment between members. Because the intercompany transaction was merely a licensing of rights

and not the sale of an asset, the applicable accounting guidance requires the tax impact to be recognized in the year of the transaction rather than over the economic life of the asset. As a result, we incurred an incremental tax expense of approximately \$11 million during our fiscal 2015. While the immediate impact of this arrangement was a reduction of foreign tax differential benefit in fiscal 2015, the long-term impact was to drive future pre-tax profits into lower tax rate tax jurisdictions within our tax operating structure, specifically involving Japan and Hong Kong, where the statutory tax rates are 35.7% and 16.5%, respectively. If we acquire other technologies or intellectual property in future periods, we anticipate we will enter into intercompany transactions to cross-license those technologies or intellectual property that may result in incremental tax expense. See Note 12 to the consolidated financial statements for the table reconciling the provision for income taxes from the federal statutory rate for fiscal 2016 and 2015.

Quarterly Results of Operations

The following table sets forth our unaudited quarterly results of operations for the eight quarters in the two-year period ended June 30, 2017. The following table should be read in conjunction with the financial statements and related notes contained elsewhere in this report. We have prepared this unaudited information on the same basis as our audited financial statements. This table includes all adjustments, which are of a normal and recurring nature that we consider necessary for a fair presentation of our financial position and results of operations for the quarters presented. Past results of operations are not necessarily indicative of future operating performance; accordingly, you should not draw any conclusions about our future results from the results of operations for any quarter presented.

(in millions, except per share amounts) (unaudited)	Three Months Ended							
	June 2017	March 2017	December 2016	September 2016	June 2016	March 2016	December 2015	September 2015
Net revenue	\$ 426.5	\$ 444.2	\$ 461.3	\$ 386.2	\$ 323.9	\$ 402.5	\$ 470.5	\$ 470.0
Cost of revenue	299.7	309.5	322.6	262.8	215.8	258.1	305.3	306.2
Gross margin	126.8	134.7	138.7	123.4	108.1	144.4	165.2	163.8
Operating expenses:								
Research and development	73.8	71.6	73.5	73.4	78.2	73.9	78.6	80.5
Selling, general, and administrative	32.6	38.1	32.3	34.6	36.9	43.6	41.0	40.2
Acquired intangibles amortization	2.4	2.4	2.4	4.5	4.6	4.7	4.6	4.7
Impairment of acquired intangibles	—	—	—	—	6.7	—	—	—
Change in contingent consideration	—	—	—	—	—	1.1	(4.3)	2.7
Restructuring costs	—	0.3	1.7	5.3	6.7	—	—	1.9
Litigation settlement charge	—	10.0	—	—	—	—	—	—
Total operating expenses	108.8	122.4	109.9	117.8	133.1	123.3	119.9	130.0
Operating income/(loss)	18.0	12.3	28.8	5.6	(25.0)	21.1	45.3	33.8
Interest and other income, net	0.1	0.1	2.0	0.4	2.3	2.0	0.4	0.5
Interest expense	(1.7)	(1.6)	(1.4)	(1.3)	(1.1)	(1.2)	(1.2)	(1.3)
Income/(loss) before income taxes	16.4	10.8	29.4	4.7	(23.8)	21.9	44.5	33.0
Provision/(benefit) for income taxes	(1.7)	6.3	6.6	1.0	(16.7)	1.4	9.5	9.2
Equity investment loss	(0.3)	—	—	—	—	—	—	—
Net income/(loss)	\$ 17.8	\$ 4.5	\$ 22.8	\$ 3.7	\$ (7.1)	\$ 20.5	\$ 35.0	\$ 23.8
Net income/(loss) per share:								
Basic	\$ 0.52	\$ 0.13	\$ 0.65	\$ 0.11	\$ (0.19)	\$ 0.56	\$ 0.96	\$ 0.65
Diluted	\$ 0.51	\$ 0.13	\$ 0.64	\$ 0.10	\$ (0.19)	\$ 0.54	\$ 0.93	\$ 0.62
Shares used in computing net income/(loss) per share:								
Basic	34.4	34.8	35.1	34.8	36.6	36.8	36.4	36.8
Diluted	35.2	35.4	35.9	35.6	36.6	37.9	37.7	38.2

Liquidity and Capital Resources

Our cash and cash equivalents, were \$367.8 million as of the end of fiscal 2017 compared with \$352.2 million as of the end of fiscal 2016, an increase of \$15.6 million. This increase primarily reflected cash flows provided by operating activities of \$152.9 million, partially offset by cash flows used in financing activities, primarily related to \$88.0 million used to repurchase shares of our common stock, and investing activities, primarily related to \$31.4 million used for the purchase of property and equipment and \$18.4 million used for an equity method investment. We consider earnings of our foreign subsidiaries indefinitely invested overseas and have made no provision for income or withholding taxes that may result from a future repatriation of those earnings. As of June 30, 2017, \$213.5 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the United States, we would be required to accrue and pay U.S. taxes to repatriate these funds.

Cash Flows from Operating Activities. For fiscal 2017, the \$152.9 million in net cash provided by operating activities was primarily attributable to net income of \$48.8 million plus adjustments for non-cash charges, including share-based compensation costs of \$61.8 million, acquired intangibles amortization of \$59.3 million, and depreciation and amortization of \$33.2 million, partially offset by other non-cash adjustments of \$18.3 million, and a net change in operating assets and liabilities of \$31.9 million. The net change in operating assets and liabilities related primarily to a \$38.4 million decrease of accounts payable, a \$16.8 million decrease in acquisition related liabilities, a \$9.6 million increase in prepaid expenses and a \$7.8 million decrease in accrued compensation, partially offset by a \$19.5 million increase in other accrued liabilities, a \$15.0 million decrease in inventories, and a \$6.5 million decrease in other assets. Our days sales outstanding decreased from 70 days to 54 days from fiscal 2016 to fiscal 2017, due to a much smaller percentage of the quarter's net revenue occurring late in the June 30, 2017 quarter compared with a much larger percentage of the quarter's net revenue occurring late in the June 30, 2016 quarter. We do expect DSOs to increase to normalized levels in future quarters which are typically between 60 to 70 days. Despite the decrease in DSOs from June 30, 2016 to June 30, 2017, the Company's accounts receivable, net increased from \$252.6 million to \$255.2 million over the same period. The 1.0% increase in accounts receivable, net is due to a significant 31.7% increase in net revenue from the three months ended June 30, 2017 to the three months ended June 30, 2016, partially offset by the fact the net revenue in the three months ended June 30, 2017 occurred more evenly through the quarter as compared to a larger percentage occurring later in the quarter in the three months ended June 30, 2016. Our inventory turns increased to nine in fiscal 2017 from six in 2016.

For fiscal 2016, the \$256.6 million in net cash provided by operating activities was primarily attributable to net income of \$72.2 million plus adjustments for non-cash charges, including acquired intangibles amortization of \$73.0 million, share-based compensation costs of \$56.8 million, and depreciation and amortization of \$31.2 million, partially offset by other non-cash adjustments of \$6.1 million, and a net change in operating assets and liabilities of \$30.0 million. The net change in operating assets and liabilities related primarily to a \$72.0 million decrease in accounts receivable and a \$9.1 million increase in other accrued liabilities, partially offset by a \$26.1 million decrease in income taxes payable, an \$18.2 million decrease in acquisition related liabilities, and a \$15.3 million decrease in accounts payable. Our days sales outstanding increased from 61 days to 70 days from fiscal 2015 to fiscal 2016. Our inventory turns decreased to six in fiscal 2016 from eight in 2015.

For fiscal 2015, the \$204.1 million in net cash provided by operating activities was primarily attributable to net income of \$110.4 million plus adjustments for non-cash charges, including acquired intangibles amortization of \$87.6 million, share-based compensation costs of \$44.1 million, depreciation and amortization of \$24.8 million, partially offset by other non-cash adjustments of \$33.1 million, accretion and remeasurement of contingent consideration liability of \$18.8 million, and a net change in operating assets and liabilities of \$10.9 million. The net change in operating assets and liabilities related primarily to the \$51.5 million increase in inventory, partially offset by the \$30.2 million increase in accounts payable. Our days sales outstanding increased from 56 to 61 days from fiscal 2014 to fiscal 2015. Our inventory turns remained consistent at eight in fiscal 2015 and 2014.

Cash Flows from Investing Activities. Net cash used in investing activities for fiscal 2017, 2016, and 2015 was \$42.3 million, \$26.6 million, and \$341.3 million, respectively. Net cash used in investing activities for fiscal 2017 consisted of \$31.4 million used for the purchase of capital assets and \$18.4 million for an equity method investment, partially offset by \$7.5 million in proceeds from sales of investments. Net cash used in investing activities for fiscal 2016 consisted of \$28.6 million used for the purchase of capital assets and \$4.6 million for the purchase of intangible assets, partially offset by \$6.6 million in proceeds from sales of investments. Net cash used in investing activities for fiscal 2015 consisted of \$294.3 million used for a business acquisition and \$51.9 million used for the purchase of capital assets, partially offset by \$4.9 million in proceeds from sales of non-current investments.

Cash Flows from Financing Activities. Net cash used in financing activities for fiscal 2017 and 2016 was \$94.1 million and \$281.1 million, respectively, and net cash provided by financing activities for fiscal 2015 was \$93.6 million. Our net cash used in financing activities for fiscal 2017 was primarily attributable to \$88.0 million used to repurchase shares of our common stock in the open market, \$18.8 million used for the payment of debt, \$6.6 million used for payroll taxes for DSUs

and MSUs, and \$5.3 million used for the payment of acquisition related liabilities, partially offset by \$24.7 million of proceeds from issuance of shares. Our net cash used in financing activities for fiscal 2016 was primarily attributable to \$240.6 million used to repurchase shares of our common stock in the open market, \$60.9 million used for the payment of acquisition related liabilities, \$15.6 million used for payroll taxes for DSUs and MSUs, and \$7.6 million used for the payment of debt, partially offset by \$32.4 million of proceeds from issuance of shares and \$11.5 million of excess tax benefit from share-based compensation. Our net cash provided by financing activities for fiscal 2015 was primarily attributable to \$245.4 million of proceeds from issuance of long-term debt, \$49.1 million of proceeds from common stock issued under our share-based compensation plans, and \$12.8 million of excess tax benefit from share-based compensation, partially offset by \$121.3 million used to repurchase shares of our common stock in the open market, \$72.2 million used for payment of acquisition-related liabilities and \$16.0 million used for the payment of payroll taxes for DSUs and MSUs.

Common Stock Repurchase Program. In July 2017, our Board of Directors authorized the purchase of up to an additional \$150.0 million of our common stock pursuant to our common stock repurchase program, bringing the cumulative authorized total to \$1.3 billion, expiring in July 2019. The program authorizes us to purchase our common stock in the open market or in privately negotiated transactions, depending upon market conditions and other factors. The number of shares purchased and the timing of purchases is based on the level of our cash balances, general business and market conditions, and other factors, including alternative investment opportunities. Common stock purchased under this program is held as treasury stock. From April 2005 through the end of fiscal 2017, we purchased 25,941,476 shares of our common stock in the open market for an aggregate cost of \$980.3 million. Treasury shares purchased prior to August 28, 2008 were not subject to the stock split on that date; if adjusted for the stock split, the average cost would be \$32.16. As of July 31, 2017, we had \$226.1 million remaining under our common stock repurchase program.

Bank Credit Facility. In connection with the RSP Acquisition, on September 30, 2014, we entered into the Credit Agreement, with the Lenders, and Wells Fargo, as Administrative Agent for the Lenders. On October 20, 2015, we entered into a Commitment Increase Agreement and First Amendment to Credit Agreement, or the First Amendment, with the Administrative Agent and each of the lenders party thereto, which amends the Credit Agreement dated September 30, 2014, among us, the Lenders and the Administrative Agent. On April 6, 2017, we entered into a Commitment Increase Agreement and Second Amendment, or the Incremental Amendment to our existing Credit Agreement.

The Credit Agreement provides for, among other things, (i) a revolving credit facility of up to \$150 million, subsequently amended and increased in October 2015 to \$250 million and in April 2017 to \$450 million, which includes a \$20 million sublimit for letters of credit and a \$20 million sublimit for swingline loans, and (ii) a term loan facility in an amount of \$150 million. Under the terms of the Credit Agreement, we may, subject to the satisfaction of certain conditions, request increases in the revolving credit facility commitments and additional term loan commitments in an aggregate principal amount of up to \$200 million to the extent existing or new lenders agree to provide such increased or additional commitments, as applicable. At the initial closing under the Credit Agreement, we borrowed \$150 million under the term loan facility and \$100 million under the revolving credit facility to finance a portion of the RSP Acquisition purchase price. As of June 30, 2017, the outstanding balance of the debt was \$220.0 million.

Pursuant to the First Amendment, we exercised our right under the Credit Agreement to request a \$100 million increase to the aggregate revolving credit commitment thereunder, for total aggregate revolving credit commitments of \$250 million, and the Lenders under the Credit Agreement agreed to provide such increased revolving credit commitments pursuant to the terms of the First Amendment. Pursuant to the Incremental Amendment, we increased the maximum permitted principal amount of incremental loan commitments to \$200 million, and utilized such increased amount to obtain additional revolving commitments under the Credit Agreement from each of the existing lenders in the aggregate principal amount of \$200 million, such that after giving effect to the Incremental Amendment, the aggregate amount of the revolving commitments under the Credit Agreement became \$450 million.

Our obligations under the Credit Agreement are guaranteed by the material domestic subsidiaries of our company, subject to certain exceptions (such as material subsidiaries, together with our company, collectively, the Credit Parties). The obligations of the Credit Parties under the Credit Agreement and the other loan documents delivered in connection therewith are secured by a first priority security interest in substantially all of the existing and future personal property of the Credit Parties, including, without limitation, 65% of the voting capital stock of certain of the Credit Parties' direct foreign subsidiaries, subject to certain exceptions.

Under our Credit Agreement, the revolving credit facility and term loans bear interest at our election of a Base Rate plus an "Applicable Margin" (as described below) or LIBOR plus an Applicable Margin. Swingline loans bear interest at a Base Rate plus an Applicable Margin. The Base Rate is a floating rate that is the greater of the Prime Rate, the Federal Funds

Rate plus 50 basis points, or LIBOR plus 100 basis points. The “Applicable Margin” is based on a sliding scale which ranges from zero to 100 basis points for Base Rate loans and 100 basis points to 200 basis points for LIBOR loans.

The term loan facility requires repayment over five years with nineteen quarterly principal payments beginning in the three months ended March 31, 2015. Each of the first four quarterly principal payments were \$1.9 million, each of the following quarterly principal payments are \$3.8 million, with the final principal payment of \$90.0 million due on September 30, 2019. The revolving credit facility requires payment in full at the end of five years on September 30, 2019. Interest on the term loan facility and revolving credit facility is payable quarterly.

Under the Credit Agreement, there are various restrictive covenants, including three financial covenants which limit the consolidated total leverage ratio, or leverage ratio, the consolidated interest coverage ratio, or interest coverage ratio, a restriction which places a limit on the amount of capital expenditures that may be made in any fiscal year, a restriction that permits up to \$50 million per fiscal quarter of accounts receivable financings, and sets the Specified Leverage Ratio. The leverage ratio is the ratio of debt as of the measurement date to earnings before interest, taxes, depreciation and amortization, or EBITDA, for the four consecutive quarters ending with the quarter of measurement. The current leverage ratio shall not exceed 2.50 to 1.0 provided that for the four fiscal quarters ending after the date of a material acquisition, such maximum leverage ratio shall be adjusted to 3.0 to 1.0, and thereafter, shall not be more than 2.75 to 1.0. The interest coverage ratio is EBITDA to interest expense for the four consecutive quarters ending with the quarter of measurement. The interest coverage ratio must not be less than 3.50 to 1.0 during the term of the agreement. The Specified Leverage Ratio is the ratio used in determining, among other things, whether we are permitted to make dividends and/or prepay certain indebtedness, at a fixed ratio of 2.25 to 1.0. As of the end of fiscal 2017, we were in compliance with the restrictive covenants.

On June 20, 2017, we entered into the Purchase Agreement with the Initial Purchasers, pursuant to which we agreed to issue and sell, and the Initial Purchasers agreed to purchase, \$500 million aggregate principal amount of the Company’s Notes in a private placement transaction. Pursuant to the Purchase Agreement, we also granted the Initial Purchasers a 30-day option to purchase up to an additional \$25 million aggregate principal amount of Notes, which was exercised in full on June 21, 2017. The net proceeds from the Offering, after deducting discounts and commissions and estimated offering expenses payable by the Company, were approximately \$514.5 million, which includes proceeds from the exercise of the Initial Purchasers’ option to purchase additional Notes. The Offering was completed on June 26, 2017.

On June 26, 2017, we used \$220.0 million of the proceeds from the Notes to pay the balance due on our revolving credit facility, plus interest due, and to pay the balance due on our term loan, plus interest due. As of June 26, 2017, the term loan was fully paid and closed. In July 2017, we made an election to reduce the commitment under the revolving credit facility to \$250.0 million.

\$100 Million Shelf Registration. We have registered an aggregate of \$100.0 million of common stock and preferred stock for issuance in connection with acquisitions, which shares generally will be freely tradeable after their issuance under Rule 145 of the Securities Act unless held by an affiliate of the acquired company, in which case such shares will be subject to the volume and manner of sale restrictions of Rule 144 of the Securities Act.

Liquidity and Capital Resources. We believe our existing cash and cash equivalents, anticipated cash flows from operating activities, available credit under the Credit Agreement and net proceeds from our Notes will be sufficient to meet our working capital and other cash requirements for at least the next 12 months, including the Conexant Acquisition, the Marvell Business Acquisition, our contingent consideration obligations associated with the acquisition of Validity, and our debt service obligations. Our future capital requirements will depend on many factors, including our revenue, the timing and extent of spending to support product development efforts, costs related to protecting our intellectual property, the expansion of sales and marketing activities, timing of introductions of new products and enhancements to existing products, the costs to ensure access to adequate manufacturing, the costs of maintaining sufficient space for our expanding workforce, the continuing market acceptance of our product solutions, our common stock repurchase program, and the amount and timing of our investments in, or acquisitions of, other technologies or companies. Further equity or debt financing may not be available to us on acceptable terms or at all. If sufficient funds are not available or are not available on acceptable terms, our ability to take advantage of business opportunities or to respond to competitive pressures could be limited or severely constrained.

Contractual Obligations and Commercial Commitments

The following table sets forth a summary of our material contractual obligations and commercial commitments as of the end of fiscal 2017 (in millions):

Contractual Obligations	Payments due by period			
	Total	Less than 1 year	1-3 Years	3-5 Years
Long-term debt (1)	\$ 235.9	\$ 21.8	\$ 214.1	\$ —
Leases	12.1	7.9	3.7	0.5
Purchase obligations and other commitments (2)	55.2	48.5	6.7	—
Other obligations (3)	8.7	8.7	—	—
Total	<u>\$ 311.9</u>	<u>\$ 86.9</u>	<u>\$ 224.5</u>	<u>\$ 0.5</u>

- (1) Represents the principal and interest payable through the maturity date of the underlying contractual obligation. The obligations were paid in full on June 26, 2017, subsequent to our fiscal 2017, with a portion of the net proceeds from our Convertible Notes issued on June 26, 2017. As of June 26, 2017, we had \$525 million aggregate principal amount of long-term debt outstanding under our Convertible Notes.
- (2) Purchase obligations and other commitments include payments due for inventory purchase obligations with contract manufacturers and long-term software tool licenses.
- (3) Represents payments retained in connection with the earn-out consideration related to the Validity acquisition.

In connection with the acquisition of Validity in November 2013, we entered into a contingent consideration arrangement. As of June 30, 2017, the balance represents amounts we have not paid and have retained, subject to the resolution of matters related to the Amkor Technology legal dispute (see *Legal Proceedings* under Note 8 to the financial statements contained elsewhere in this report). The earn-out period for this arrangement was complete as of March 31, 2016. We estimated the fair value of the final earn-out consideration liability as of June 30, 2017 to be \$8.7 million.

The amounts in the table above exclude unrecognized tax benefits related to uncertain tax positions of \$15.2 million. As of June 30, 2017, we were unable to make a reasonably reliable estimate of when cash settlement with a taxing authority may occur in connection with our gross unrecognized tax benefit.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements, or other relationships with unconsolidated entities that are reasonably likely to materially affect our financial condition, revenues or expenses, results of operations, liquidity, or capital resources. We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support; engage in leasing, hedging, or research and development services; or have other relationships that expose us to liability that is not reflected in our financial statements.

Recently Issued Accounting Pronouncements Not Yet Effective

In October 2016, the Financial Accounting Standards Board, or FASB, issued an accounting standard update, or ASU, on Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory, which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. Historically, recognition of the income tax consequence was not recognized until the asset was sold to an outside party. This amendment should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. There are no new disclosure requirements. This ASU is effective for us beginning in the first quarter of fiscal 2019, and early adoption is permitted. We intend to adopt this ASU in our first quarter of fiscal 2018 and anticipate a cumulative-effect adjustment of approximately \$8.3 million as a reduction of retained earnings.

In May 2014, the FASB issued an ASU on Revenue from Contracts with Customers. The ASU will supersede most of the existing revenue recognition guidance in U.S. GAAP when the new standard becomes effective, and requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. The ASU is effective for us in our fiscal year 2019, with early adoption permitted in the first quarter of fiscal 2018. We will not early adopt the new standard. The new standard permits the use of either the full retrospective or cumulative effect transition method and we currently anticipate adopting the standard using the cumulative effect transition method. Based on our initial assessment of the ASU and our related customer contracts and current revenue recognition methodologies and processes, the new revenue standard is

not expected to have a material impact on the amount and timing of revenue recognized in our consolidated financial statements.

In March 2016, the FASB issued an ASU for Compensation-Stock Compensation. This update simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Upon adoption of this ASU in our first quarter of fiscal 2018, we plan to change our accounting policy to account for forfeitures as they occur. We will apply the accounting policy change on a modified retrospective basis and we estimate a cumulative effect adjustment of approximately \$21.8 million as an increase to retained earnings, \$3.7 million increase to additional paid-in capital and establishing an additional \$25.5 million of deferred tax assets for research credit and alternative minimum tax credit carryforwards. We will reflect excess tax benefits for share-based payments in the statement of cash flows as operating activities rather than financing activities on a prospective basis.

In February 2016, the FASB issued an ASU on Leases. This update requires organizations that lease assets with lease terms of more than 12 months to recognize assets and liabilities for the rights and obligations created by those leases on their balance sheets. It also requires new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard will be effective for us beginning in the first quarter of our fiscal year 2020, with early adoption permitted. We are evaluating the effects of adoption of this ASU on our consolidated financial statements.

In July 2015, the FASB issued an ASU that requires an entity to measure inventory at the lower of cost and net realizable value when the first-in, first-out, or average cost method is used. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The adoption of this ASU in our first quarter of fiscal 2018 is not expected to have a material impact on our consolidated financial statements.

Foreign currency exchange risk

In the past, we have had relatively little exposure to foreign currency exchange risks and foreign exchange losses have been immaterial. However, with our acquisition of RSP, our foreign currency exchange risk profile changed during fiscal 2015 as a result of transitioning the RSP business from a primarily Japanese yen-based revenue and cost of goods model to a U.S. dollar-based revenue and cost of goods model, and incurring yen-denominated acquisition holdback liabilities to the sellers at the RSP Acquisition Closing Date.

Our total net revenue for fiscal 2017 and fiscal 2016 was denominated in U.S. dollars. Net revenue denominated in foreign currencies was approximately 4% of our total net revenue for fiscal 2015. Costs denominated in foreign currencies were approximately 9%, 10% and 11% of our total costs for fiscal 2017, 2016 and 2015, respectively.

We face the risk that our accounts payable and acquisition-related liabilities denominated in foreign currencies will increase if such foreign currencies strengthen quickly and significantly against the U.S. dollar. Approximately 5% and 20% of our accounts payable were denominated in foreign currencies at June 30, 2017 and 2016, respectively. Approximately zero and \$6.2 million in acquisition-related liabilities at June 30, 2017 and 2016 were denominated in a foreign currency.

To provide an assessment of the foreign currency exchange risk associated with our foreign currency exposures within revenue, cost and operating expenses, we performed a sensitivity analysis to determine the impact that an adverse change in exchange rates would have on our financial statements. A hypothetical weighted-average change of 10% in currency exchange rates would have changed our operating income before taxes by approximately \$14.0 million for fiscal 2017, assuming no offsetting hedge positions.

We enter into foreign currency contracts to manage exposure related to certain foreign currency obligations. The foreign currency contracts are not designated as hedging instruments and, accordingly, are not subject to hedge accounting. In fiscal 2015, we began entering into foreign currency forward contracts to purchase Japanese yen, using U.S. dollars. As of June 30, 2017, we had no outstanding foreign currency forward contracts.

Variable Interest Rate Risk

Under our Credit Agreement, the revolving credit facility and term loans bear interest at our election of a Base Rate plus an Applicable Margin or LIBOR plus an Applicable Margin. Swingline loans bear interest at a Base Rate plus an Applicable Margin. The Base Rate is a floating rate that is the greater of the Prime Rate, the Federal Funds Rate plus 50 basis points, or LIBOR plus 100 basis points. The Applicable Margin is based on a sliding scale which ranges from zero to 100 basis points for Base Rate loans and 100 basis points to 200 basis points for LIBOR loans. We are also required to pay a commitment fee for the unused portion of the revolving credit facility, which ranges from 0.25% to 0.45% per annum. A one percent increase in the variable rate of interest on the term loan and revolving credit facility would increase interest expense by approximately \$2.2 million annually. Subsequent to the end of our fiscal 2017, on June 26, 2017, we paid off the term loan and revolving credit facility debt obligations totaling \$220.0 million, plus interest. The term loan has been closed and we continue to have funds available under the revolving credit facility. See Note 15 Subsequent Events to the consolidated financial statements contained elsewhere in this report.

Interest rate risk on Cash, Cash Equivalents and ARS investments

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents and ARS investments. We do not use our investment portfolio for trading or other speculative purposes.

Our non-current investments, which consist of ARS investments, have a par value of \$5.0 million and have failed to settle in auctions beginning in 2007. These investments are not liquid, and in the event we need to access these funds, we will not be able to do so without a loss of principal, unless redeemed by the issuers or a future auction on these investments is successful. During fiscal 2017, \$7.5 million of our ARS investments were redeemed and we recognized a gain of \$1.9 million on these investments.

Our failed ARS investments were compared to other observable market data or securities with similar characteristics. Our estimate of the fair value of our ARS investments could continue to fluctuate from period to period depending on future market conditions.

We have ARS investments with a fair value of \$1.5 million with no maturity date and which are below investment grade.

Based on our ability to access our cash and cash equivalents, our expected operating cash flows, and our other sources of cash, we do not anticipate the lack of liquidity on these investments to affect our ability to operate our business as usual.

There have been no significant changes in the maturity dates and average interest rates for our cash equivalents subsequent to fiscal 2017.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements, the report of our independent registered public accounting firm, and the notes thereto commencing at page F-1 of this report, which financial statements, report, and notes are incorporated herein by reference. Reference is also made to the quarterly results of operations included elsewhere in this report, which are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusions Regarding Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, as of June 24, 2017, concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for our Company. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 framework).

Based on our evaluation under the COSO 2013 framework, our management concluded that our internal control over financial reporting was effective, at the reasonable assurance level, as of June 24, 2017. The effectiveness of our internal control over financial reporting as of June 24, 2017 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report included herein on page F-2.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A

control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our company have been or will be prevented or detected. Further, internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

There were no items requiring reporting on Form 8-K that were not reported on Form 8-K during the fourth quarter of the year covered by this Form 10-K.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item relating to directors of our company and corporate governance is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2017 Annual Meeting of Stockholders. The information required by this Item relating to our executive officers is included in Item 1. Business – Executive Officers of the Registrant.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, and other senior accounting personnel. The “Code of Ethics for the CEO and Senior Financial Officers” is located on our website at www.synaptics.com in the Investor Relations section under Corporate Governance.

We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding any amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Executive Compensation”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2017 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the captions “Security Ownership of Principal Stockholders, Directors, and Officers” and “Executive Compensation—Stock-Based Compensation Plan Information”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2017 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Certain Relationships and Related Transactions”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2017 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Ratification of Appointment of Independent Auditor”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2017 Annual Meeting of Stockholders.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules

- (1) Financial Statements are listed in the Index to Financial Statements on page F-1 of this report.

(b) Exhibits

Exhibit Number	Exhibit
1.1	Purchase Agreement, dated as of June 20, 2017, by and between the Company and Wells Fargo Securities, LLC, as representative of the initial purchasers named therein. (1)
2.1	Agreement and Plan of Reorganization by and among Synaptics Incorporated, Itsme Acquisition Corp., Itsme Acquisition II LLC, Validity Sensors, Inc., and Shareholder Representative Services LLC, dated as of October 9, 2013 (2)
2.2†#	Stock Purchase Agreement, dated June 11, 2014, by and among Renesas Electronics Corporation, Renesas SP Drivers, Inc., Renesas SP Drivers Taiwan, Inc., Sharp Corporation, Powerchip Technology Corp., Global Powertec Co. Ltd., Quantum Vision Corporation, the registrant and Synaptics Holding GmbH (3)
2.3#	Stock Purchase Agreement, dated June 11, 2017, by and among Synaptics Incorporated, Lakestar Semi, Inc., CNXT Holdings, Inc. and Conexant Systems, LLC (4)
3.1	Certificate of Incorporation (5)
3.2	Certificate of Designation of Series A Junior Participating Preferred Stock (6)
3.3	Third Amended and Restated Bylaws (amended and restated as of July 27, 2010) (7)
3.4	Certificate of Amendment of Certificate of Incorporation of the registrant (8)
3.5	Certificate of Amendment of Certificate of Incorporation of the registrant (9)
4.1	Form of Common Stock Certificate (10)
4.2	Indenture, dated as of June 26, 2017, by and between the Company and Wells Fargo, National Association, as trustee (1)
4.3	Form of 0.50% Convertible Senior Note due 2022
10.1	Credit Agreement, dated as of September 30, 2014, among Synaptics Incorporated, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (11)
10.1.1	Commitment Increase Agreement and First Amendment to Credit Agreement, dated as of October 20, 2015 (12)
10.1.2	Commitment Increase Agreement and Second Amendment to Credit Agreement, dated April 6, 2017. (13)
10.6(a)*	Amended and Restated 2001 Incentive Compensation Plan (as amended through January 23, 2007) (14)
10.6(b)*	Form of grant agreements for Amended and Restated 2001 Incentive Compensation Plan (15)
10.6(c)*	Form of deferred stock award agreement for Amended and Restated 2001 Incentive Compensation Plan (16)
10.24(a)*	Amended and Restated 2010 Incentive Compensation Plan (17)
10.24(b)*	Form of Non-Qualified Stock Option Agreement for 2010 Incentive Compensation Plan
10.24(c)*	Form of Incentive Stock Option Agreement for 2010 Incentive Compensation Plan (18)
10.24(d)*	Form of Deferred Stock Award Agreement for 2010 Incentive Compensation Plan

Exhibit Number	Exhibit
10.24(e)*	Form of Deferred Stock Award Agreement for Market Stock Units for Amended and Restated 2010 Incentive Compensation Plan
10.25(a)*	Amended and Restated 2010 Employee Stock Purchase Plan (3)
10.26*	Change of Control Severance Policy for Principal Executive Officers (3)
10.27*	Severance Policy for Principal Executive Officers (19)
10.28*	Employment Offer Letter dated September 28, 2011 between the registrant and Richard Bergman (20)
10.29*	Employment Offer Letter dated April 23, 2015 between the registrant and Wajid Ali (21)
10.30*	Form of Director and Officer Indemnification Agreement (22)
21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1##	Section 1350 Certification of Chief Executive Officer
32.2##	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Incorporated by reference to the Registrant's Current Report on Form 8-K as filed with the SEC on June 26, 2017.
- (2) Incorporated by reference to the registrant's Form 8-K as filed with the SEC on November 12, 2013.
- (3) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on August 22, 2014.
- (4) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on June 12, 2017.
- (5) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 21, 2002.
- (6) Incorporated by reference to the registrant's Form 8-A as filed with the SEC on August 16, 2002.
- (7) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on August 2, 2010.
- (8) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on December 7, 2004.
- (9) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (10) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 12, 2002.
- (11) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 1, 2014.
- (12) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 3, 2016.
- (13) Incorporated by reference to the registrant's Current Report on 8-K as filed with the SEC on April 6, 2017.
- (14) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on November 8, 2007.
- (15) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 6, 2003.
- (16) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 7, 2006.
- (17) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 28, 2016.
- (18) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (19) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 6, 2011.
- (20) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 4, 2011.
- (21) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on August 25, 2015.
- (22) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on May 17, 2016.

* Indicates a contract with management or compensatory plan or arrangement.

† Certain portions of this exhibit have been omitted pursuant to a grant of confidential treatment by the Securities and Exchange Commission.

Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished as a supplement to the Securities and Exchange Commission upon request.

This certification is being furnished solely pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act or incorporated by reference in any registration statement of the Company filed under the Securities Act.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNAPTICS INCORPORATED

Date: August 18, 2017

By: /s/ Richard A. Bergman
Richard A. Bergman
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Richard A. Bergman</u> Richard A. Bergman	President and Chief Executive Officer, and Director	August 18, 2017
<u>/s/ Wajid Ali</u> Wajid Ali	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 18, 2017
<u>/s/ Francis F. Lee</u> Francis F. Lee	Chairman of the Board	August 18, 2017
<u>/s/ Jeffrey D. Buchanan</u> Jeffrey D. Buchanan	Director	August 18, 2017
<u>/s/ Nelson C. Chan</u> Nelson C. Chan	Director	August 18, 2017
<u>/s/ Keith B. Geeslin</u> Keith B. Geeslin	Director	August 18, 2017
<u>/s/ Russell J. Knittel</u> Russell J. Knittel	Director	August 18, 2017
<u>/s/ Richard L. Sanquini</u> Richard L. Sanquini	Director	August 18, 2017
<u>/s/ James L. Whims</u> James L. Whims	Director	August 18, 2017

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SYNAPTICS INCORPORATED AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Synaptics Incorporated:

We have audited the accompanying consolidated balance sheets of Synaptics Incorporated and subsidiaries (the Company) as of June 24, 2017 and June 25, 2016 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 24, 2017. We also have audited the internal control over financial reporting of Synaptics Incorporated as of June 24, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the internal control over financial reporting of Synaptics Incorporated based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Synaptics Incorporated and subsidiaries as of June 24, 2017 and June 25, 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended June 24, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Synaptics Incorporated maintained, in all material respects, effective internal control over financial reporting as of June 24, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

/s/ KPMG LLP

Santa Clara, California
August 18, 2017

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except par value and share amounts)

	June 2017	June 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 367.8	\$ 352.2
Accounts receivable, net of allowances of \$2.6 and \$3.7 at June 2017 and 2016, respectively	255.2	252.6
Inventories	131.4	146.4
Prepaid expenses and other current assets	37.6	28.9
Total current assets	792.0	780.1
Property and equipment, net	113.8	112.7
Goodwill	206.8	206.8
Acquired intangibles, net	101.0	160.3
Non-current other assets	53.1	40.3
	<u>\$ 1,266.7</u>	<u>\$ 1,300.2</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 135.8	\$ 172.8
Accrued compensation	31.9	39.9
Income taxes payable	17.2	11.5
Acquisition-related liabilities	8.7	25.5
Other accrued liabilities	101.8	82.3
Current portion of long-term debt	15.0	18.8
Total current liabilities	310.4	350.8
Long-term debt, net of issuance costs	202.0	216.7
Acquisition-related liabilities	—	6.2
Deferred tax liabilities	—	9.0
Other long-term liabilities	14.1	12.5
Total liabilities	526.5	595.2
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock:		
\$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock:		
\$0.001 par value; 120,000,000 shares authorized, 60,579,911 and 59,532,148 shares issued, and 34,638,435 and 35,212,141 shares outstanding, at June 2017 and 2016, respectively	0.1	0.1
Additional paid-in capital	1,004.8	928.6
Treasury stock: 25,941,476 and 24,320,007 common shares at June 2017 and 2016, respectively, at cost	(980.3)	(892.3)
Accumulated other comprehensive income	1.5	3.3
Retained earnings	714.1	665.3
Total stockholders' equity	740.2	705.0
	<u>\$ 1,266.7</u>	<u>\$ 1,300.2</u>

See accompanying notes to consolidated financial statements.

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share amounts)

	Fiscal Year		
	2017	2016	2015
Net revenue	\$ 1,718.2	\$ 1,666.9	\$ 1,703.0
Cost of revenue	\$ 1,194.6	1,085.4	1,124.3
Gross margin	\$ 523.6	581.5	578.7
Operating expenses:			
Research and development	\$ 292.3	311.2	293.2
Selling, general, and administrative	\$ 137.6	161.7	127.9
Acquired intangibles amortization	\$ 11.7	18.6	14.2
Impairment of acquired intangibles	\$ -	6.7	—
Change in contingent consideration	\$ -	(0.5)	(18.8)
Restructuring costs	\$ 7.3	8.6	—
Litigation settlement charge	\$ 10.0	—	—
Total operating expenses	\$ 458.9	506.3	416.5
Operating income	\$ 64.7	75.2	162.2
Interest and other income	\$ 0.7	3.1	1.6
Interest expense	\$ (6.0)	(4.8)	(3.8)
Impairment recovery on investments, net	\$ 1.9	2.1	0.2
Income before provision for income taxes and equity investment loss	\$ 61.3	75.6	160.2
Provision for income taxes	\$ 12.2	3.4	49.8
Equity investment loss	\$ (0.3)	—	—
Net income	\$ 48.8	72.2	110.4
Net income per share:			
Basic	\$ 1.40	\$ 1.97	\$ 2.99
Diluted	\$ 1.37	\$ 1.91	\$ 2.84
Shares used in computing net income per share:			
Basic	34.8	36.6	36.9
Diluted	35.6	37.9	38.9

See accompanying notes to consolidated financial statements.

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Fiscal Year		
	2017	2016	2015
Net income	\$ 48.8	\$ 72.2	\$ 110.4
Other comprehensive income/(loss), net of tax:			
Change in unrealized net gain/(loss) on investments	(1.5)	(2.7)	0.8
Reclassification from accumulated other comprehensive loss to interest income for accretion of non-current investments	(0.3)	(1.8)	(1.5)
Net current-period other comprehensive loss	(1.8)	(4.5)	(0.7)
Comprehensive income	<u>\$ 47.0</u>	<u>\$ 67.7</u>	<u>\$ 109.7</u>

See accompanying notes to consolidated financial statements.

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except share amounts)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance at June 2014	55,911,513	\$ 0.1	\$ 740.3	\$ (530.4)	\$ 8.5	\$ 482.7	\$ 701.2
Net income	—	—	—	—	—	110.4	110.4
Other comprehensive income	—	—	—	—	(0.7)	—	(0.7)
Issuance of common stock for share-based award compensation plans	2,093,631	—	49.1	—	—	—	49.1
Issuance of common stock for acquisition	243,963	—	21.5	—	—	—	21.5
Payroll taxes for deferred stock units	—	—	(16.0)	—	—	—	(16.0)
Purchases of treasury stock	—	—	—	(121.3)	—	—	(121.3)
Tax benefit associated with share-based awards	—	—	4.8	—	—	—	4.8
Share-based compensation	—	—	44.1	—	—	—	44.1
Balance at June 2015	58,249,107	0.1	843.8	(651.7)	7.8	593.1	793.1
Net income	—	—	—	—	—	72.2	72.2
Other comprehensive income	—	—	—	—	(4.5)	—	(4.5)
Issuance of common stock for share-based award compensation plans	1,283,041	—	32.4	—	—	—	32.4
Payroll taxes for deferred stock units	—	—	(15.6)	—	—	—	(15.6)
Purchases of treasury stock	—	—	—	(240.6)	—	—	(240.6)
Tax benefit associated with share-based awards	—	—	11.2	—	—	—	11.2
Share-based compensation	—	—	56.8	—	—	—	56.8
Balance at June 2016	59,532,148	0.1	928.6	(892.3)	3.3	665.3	705.0
Net income	—	—	—	—	—	48.8	48.8
Other comprehensive income	—	—	—	—	(1.8)	—	(1.8)
Issuance of common stock for share-based award compensation plans	1,047,763	—	24.7	—	—	—	24.7
Payroll taxes for deferred stock units	—	—	(6.6)	—	—	—	(6.6)
Purchases of treasury stock	—	—	—	(88.0)	—	—	(88.0)
Tax deficiency associated with share-based awards	—	—	(3.7)	—	—	—	(3.7)
Share-based compensation	—	—	61.8	—	—	—	61.8
Balance at June 2017	<u>60,579,911</u>	<u>\$ 0.1</u>	<u>\$ 1,004.8</u>	<u>\$ (980.3)</u>	<u>\$ 1.5</u>	<u>\$ 714.1</u>	<u>\$ 740.2</u>

See accompanying notes to consolidated financial statements.

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Fiscal Year		
	2017	2016	2015
Cash flows from operating activities			
Net income	\$ 48.8	\$ 72.2	\$ 110.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation costs	61.8	56.8	44.1
Depreciation and amortization	33.2	31.2	24.8
Acquired intangibles amortization	59.3	73.0	87.6
Accretion and remeasurement of contingent consideration liability	-	(0.5)	(18.8)
Deferred taxes	(17.4)	(21.1)	(25.2)
Impairment of property and equipment	—	3.0	1.0
Impairment of acquired intangibles	—	6.7	—
Non-cash interest	(0.3)	(1.8)	(1.5)
Amortization of debt issuance costs	1.2	1.0	0.8
Impairment recovery on investments, net	(1.9)	(2.1)	(0.2)
Equity investment loss	0.3	—	—
Foreign currency remeasurement (gain)/loss	(0.2)	8.2	(8.0)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(2.6)	72.0	0.7
Inventories	15.0	(6.2)	(51.5)
Prepaid expenses and other current assets	(9.6)	5.8	13.5
Other assets	6.5	5.6	10.1
Accounts payable	(38.4)	(15.3)	30.2
Accrued compensation	(7.8)	3.3	2.1
Acquisition related liabilities	(16.8)	(18.2)	(1.9)
Income taxes payable	2.3	(26.1)	(7.1)
Other accrued liabilities	19.5	9.1	(7.0)
Net cash provided by operating activities	<u>152.9</u>	<u>256.6</u>	<u>204.1</u>
Cash flows from investing activities			
Proceeds from sales of investments	7.5	6.6	4.9
Acquisition of businesses, net of cash acquired	—	—	(294.3)
Purchases of property and equipment	(31.4)	(28.6)	(51.9)
Purchase of intangible assets	—	(4.6)	—
Investment in direct financing lease	(17.0)	—	—
Proceeds from direct financing leases	17.0	—	—
Equity method investment	(18.4)	—	—
Net cash used in investing activities	<u>(42.3)</u>	<u>(26.6)</u>	<u>(341.3)</u>
Cash flows from financing activities			
Payment of acquisition-related liabilities	(5.3)	(60.9)	(72.2)
Payment of debt	(18.8)	(7.6)	(3.8)
Purchases of treasury stock	(88.0)	(240.6)	(121.3)
Proceeds from issuance of shares	24.7	32.4	49.1
Proceeds from issuance of long-term debt	—	—	245.4
Payment of debt issuance costs	(1.2)	(0.3)	(0.4)
Excess tax benefit from share-based compensation	1.1	11.5	12.8
Payroll taxes for deferred stock and market stock units	(6.6)	(15.6)	(16.0)
Net cash provided by/(used in) financing activities	<u>(94.1)</u>	<u>(281.1)</u>	<u>93.6</u>
Effect of exchange rate changes on cash and cash equivalents	(0.9)	3.4	(3.7)
Net increase/(decrease) in cash and cash equivalents	15.6	(47.7)	(47.3)
Cash and cash equivalents at beginning of year	352.2	399.9	447.2
Cash and cash equivalents at end of year	<u>\$ 367.8</u>	<u>\$ 352.2</u>	<u>\$ 399.9</u>
Supplemental disclosures of cash flow information			
Cash paid for interest	<u>\$ 6.0</u>	<u>\$ 5.0</u>	<u>\$ 3.1</u>
Cash paid for taxes	<u>\$ 22.1</u>	<u>\$ 46.9</u>	<u>\$ 86.1</u>
Cash refund on taxes	<u>\$ 10.1</u>	<u>\$ 18.0</u>	<u>\$ 3.4</u>
<i>Non-cash investing and financing activities:</i>			
Property and equipment received but unpaid	<u>\$ 6.0</u>	<u>\$ 3.1</u>	<u>\$ 8.2</u>
Common stock issued in settlement of contingent consideration liability	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 21.5</u>

See accompanying notes to consolidated financial statements.

SYNAPTICS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

We are a leading worldwide developer and supplier of custom-designed human interface semiconductor product solutions that enable people to interact more easily and intuitively with a wide variety of mobile computing, communications, entertainment, and other electronic devices. We currently generate revenue from the markets for smartphones, tablets, personal computer, or PC, products, primarily notebook computers; and other select electronic devices, including devices in automobiles. Every solution we deliver either contains or consists of our touch- or fingerprint-based semiconductor solutions, which includes our capacitive sensing ASIC, customer-specific firmware, and software, or a driver-based semiconductor solution which includes our capacitive sensing ASIC. Our original equipment manufacturer, or OEM, customers include many of the world's largest OEMs for smartphones and most of the world's largest PC OEMs.

The consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, and include our financial statements and those of our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. The fiscal years presented in this report were 52-week periods ended June 24, 2017, June 25, 2016 and June 27, 2015. For simplicity, the accompanying consolidated financial statements have been shown as fiscal year periods and as of the end of our fiscal year ending in June.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, allowance for doubtful accounts, cost of revenue, inventories, loss on purchase commitments, product warranty, accrued liabilities, share-based compensation costs, provision for income taxes, deferred income tax asset valuation allowances, uncertain tax positions, goodwill, intangible assets, investments, contingent consideration liability and loss contingencies. We base our estimates on historical experience, applicable laws and regulations, and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Cash Equivalents and Investments

Cash equivalents consist of highly liquid investments with original maturities of three months or less. Our non-current investments, which are included in non-current other assets in the consolidated balance sheets, consist of ARS investments and are reported at fair value, with unrealized gains and losses excluded from earnings and shown separately as a component of accumulated other comprehensive income within stockholders' equity. We charge other-than-temporary declines in the fair value of a debt security to earnings if the decline is due to a credit loss or if we intend to or need to sell at a loss, resulting in the establishment of a new cost basis in the debt security. We charge other-than-temporary declines in the fair value of a debt security to other comprehensive income if the decline is due to a noncredit loss. We charge other-than-temporary declines in the fair value of an equity security to earnings. We include interest earned and accretion on securities in interest income. We determine realized gains and losses on the sale of securities using the specific identification method.

Our cash equivalents and investments classified as available-for-sale securities as of the end of fiscal 2017 and 2016 were as follows (in millions):

	2017		
	Amortized Cost	Gross Unrealized Gains	Fair Value
Reported as cash equivalents:			
Money market funds	\$ 361.7	\$ —	\$ 361.7
Reported as non-current assets:			
Auction rate securities	-	1.5	1.5
Total available-for-sale securities	<u>\$ 361.7</u>	<u>\$ 1.5</u>	<u>\$ 363.2</u>

	2016		
	Amortized Cost	Gross Unrealized Gains	Fair Value
Reported as cash equivalents:			
Money market funds	\$ 319.1	\$ —	\$ 319.1
Reported as non-current assets:			
Auction rate securities	5.3	3.3	8.6
Total available-for-sale securities	<u>\$ 324.4</u>	<u>\$ 3.3</u>	<u>\$ 327.7</u>

Fair Value

We measure certain financial assets and liabilities at fair value. When we measure fair value on either a recurring or nonrecurring basis, inputs used in valuation techniques are assigned a hierarchical level as follows:

- Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs reflecting our assumptions, which are incorporated into valuation techniques and models used to determine fair value. The assumptions are consistent with market participant assumptions that are reasonably available.

Financial assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of the end of fiscal 2017 and 2016 were as follows (in millions):

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Money market	\$ 361.7	\$ —	\$ —	\$ 319.1	\$ —	\$ —
Auction rate securities	—	—	1.5	—	—	8.6
Total available-for-sale securities	<u>\$ 361.7</u>	<u>\$ —</u>	<u>\$ 1.5</u>	<u>\$ 319.1</u>	<u>\$ —</u>	<u>\$ 8.6</u>

The valuation of our auction rate securities is discussed in Note 3.

In connection with the acquisition of Validity Sensors, Inc., or Validity, we entered into a contingent consideration arrangement. As of June 30, 2017, the balance of \$8.7 million represents a contractual liability which is no longer subject to valuation as the carrying amount approximates the fair value. The balance represents amounts we have not paid and have retained, subject to resolution of matters related to the Amkor Technology legal dispute (see Legal Proceedings under Note 8).

Changes in fair value of our Level 3 financial assets for fiscal 2017 and 2016 were as follows (in millions):

	2017	2016
Beginning balance	\$ 8.6	\$ 15.8
Net unrealized loss	(1.5)	(2.7)
Impairment recovery on redeemed investments	1.9	2.1
Redemptions	(7.5)	(6.6)
Ending balance	<u>\$ 1.5</u>	<u>\$ 8.6</u>

Changes in fair value of our Level 3 financial liabilities for fiscal 2016 were as follows (in millions):

	2016
Beginning balance	\$ 44.2
Cash settlement of contingent consideration liability	(18.2)
Issuance of common stock in settlement of liability	—
Accretion and remeasurement	(0.5)
Transfer out	(25.5)
Ending balance	<u>\$ —</u>

During fiscal 2016 we transferred \$25.5 million of contingent consideration liability out of our Level 3 liabilities, as the underlying contingencies were resolved and it became a contractual liability as of the end of fiscal 2016. The carrying value of \$25.5 million approximated fair value, and was included in current acquisition-related liabilities as of the end of fiscal 2016. During fiscal 2017 we paid \$16.8 million of this liability and \$8.7 million is included in current acquisition-related liabilities as of the end of fiscal 2017. There were no transfers in or out of our Level 1 or 2 assets or liabilities during fiscal 2017 or 2016.

The fair values of our accounts receivable and accounts payable approximate their carrying values because of the short-term nature of those instruments. Intangible assets, property and equipment, and goodwill are measured at fair value on a non-recurring basis if impairment is indicated. The interest rate on our bank debt is variable, which is subject to change from time to time to reflect a market interest rate; accordingly, the carrying value of our bank debt approximates fair value.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, investments, and accounts receivable. Our investment policy, which is predicated on capital preservation and liquidity, limits investments to U.S. government treasuries and agency issues, taxable securities, and municipal issued securities with a minimum rating of A1 (Moody's) or P1 (Standard and Poor's) or their equivalent. Included within our investment portfolio are investments in ARS investments, which met our investment guidelines at the time of investment. Our ARS investments are currently not liquid as a result of continued auction failures.

We sell our products to contract manufacturers that provide manufacturing services for OEMs, and to some OEMs directly. We extend credit based on an evaluation of a customer's financial condition, and we generally do not require collateral.

The following customers accounted for more than 10% of our accounts receivable balance as of the end of fiscal 2017 and 2016:

	2017	2016
Customer A	17%	12%
Customer B	15%	10%
Customer C	13%	*
Customer D	10%	13%
Customer E	*	14%
Customer F	*	11%

* Less than 10%

Other Concentrations

Our products include certain components that are currently single sourced. We believe other vendors would be able to provide similar components, however, the qualification of such vendors may require extra lead time. In order to mitigate any adverse impacts from a disruption of supply, we strive to maintain an adequate supply of critical single-sourced components.

Revenue Recognition

We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred and title has transferred, the price is fixed or determinable, and collection is reasonably assured. We accrue for estimated sales returns, incentives and other allowances at the time we recognize revenue. Our products contain embedded firmware and software, which together with, or consisting of, our ASIC chip, deliver the essential functionality of our products and, as such, software revenue recognition guidance is not applicable. Our sales to distributors are made under agreements that generally do not provide for price adjustments after purchase and provide for only limited return rights under product warranty. Revenue on these sales is recognized in the same manner as sales to our non-distributor customers. When sales rebates and price allowances are applicable they are estimated and recorded in the period the related revenue is recognized.

Advertising Costs

Advertising costs, if any, are expensed when incurred.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of customers to meet their financial obligations. On an ongoing basis, we evaluate the collectability of accounts receivable based on a combination of factors. In circumstances in which we are aware of a specific customer's potential inability to meet its financial obligation, we record a specific reserve of the bad debt against amounts due. In addition, we make judgments and estimates on the collectability of accounts receivable based on our historical bad debt experience, customers' creditworthiness, current economic trends, recent changes in customers' payment trends, and deterioration in customers' operating results or financial position. If circumstances change adversely, additional bad debt allowances may be required. For all periods presented, credit losses on our accounts receivable have been insignificant, and we believe that an adequate allowance for doubtful accounts has been provided.

Cost of Revenue

Our cost of revenue includes the cost of products shipped to our customers, which primarily includes the cost of products built to our specifications by our contract manufacturers, the cost of silicon wafers supplied by independent semiconductor wafer manufacturers, and the related assembly, package, and test costs of our products. Also included in our cost of revenue are personnel and related costs, including share-based compensation, for quality assurance and manufacturing support personnel; logistics costs; depreciation of equipment supporting manufacturing; acquired intangibles amortization; inventory write-downs and losses on purchase obligations; and warranty costs.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (estimated net realizable value) as of the end of fiscal 2017 and 2016 and consisted of the following (in millions):

	2017	2016
Raw materials	\$ 94.7	\$ 59.2
Finished goods	36.7	87.2
	<u>\$ 131.4</u>	<u>\$ 146.4</u>

We record a write-down, if necessary, to reduce the carrying value of inventory to its net realizable value. The effect of these write-downs is to establish a new cost basis in the related inventory, which we do not subsequently write up. We also record a liability and charge to cost of revenue for estimated losses on inventory we are obligated to purchase from our contract manufacturers when such losses become probable from customer delays, order cancellations, or other factors.

Property and Equipment

We state property and equipment at cost less accumulated depreciation and amortization. We compute depreciation using the straight-line method over the estimated useful lives of the assets. We amortize leasehold improvements over the shorter of the lease term or the useful life of the asset.

Other Assets

In April 2017, we paid \$18.4 million for a 14.4% interest in OXi Technology Ltd., or OXi. Our investment in OXi is included in non-current other assets on our consolidated balance sheet. We determined the equity method of accounting applies to our investment as we have significant influence over OXi's operating and financial policies. We will record our portion of OXi's net income on a one quarter lag due to the timing of the availability of OXi's financial records, therefore, as of June 30, 2017, we did not record our portion of OXi's net income or loss for the April 2017 through June 2017 period. In addition, we will amortize intangible assets that we recorded under the equity method of accounting, and such amortization is included in Equity investment loss on our consolidated statements of income. As of June 30, 2017, we did not have any related party transactions with OXi.

Foreign Currency

The U.S. dollar is our functional and reporting currency. We remeasure our monetary assets and liabilities not denominated in the functional currency into U.S. dollar equivalents at the rate of exchange in effect on the balance sheet date. We measure and record non-monetary balance sheet accounts at the historical rate in effect at the date of transaction. We remeasure foreign currency expenses at the weighted average exchange rate in the month that the transaction occurred. These foreign currency transactions and remeasurement gains and losses, resulted in a net loss of \$0.7 million and \$5.8 million in fiscal 2017 and fiscal 2016, respectively, and a net gain of \$14.7 million in fiscal 2015. Gains and losses resulting from foreign currency transactions are included in selling, general, and administrative expenses in the consolidated statements of income.

We also enter into foreign currency contracts to manage exposure related to certain foreign currency obligations. The foreign currency contracts are not designated as hedging instruments and, accordingly, are not subject to hedge accounting. In fiscal year 2015, we entered into foreign currency forward contracts to purchase Japanese yen, using U.S. dollars. As of June 30, 2017, and 2016 we had no outstanding foreign currency forward contracts. In fiscal 2017 we had no active contracts, in fiscal 2016 we recognized net realized gains of \$4.8 million and in fiscal 2015 we recognized net unrealized losses of \$1.3 million on foreign currency forward contracts, which are recorded in selling, general, and administrative expenses in the consolidated statements of income.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired. There were no changes in our goodwill balance in fiscal 2017 and 2016.

We have allocated our goodwill to a single company-wide reporting unit. We perform a qualitative assessment of the goodwill in the fourth quarter of each fiscal year. In assessing the qualitative factors, we considered the impact of key factors including change in industry and competitive environment, market capitalization, stock price, gross margin and cash flow from operating activities. We concluded that the fair value of the single company-wide reporting unit exceeded its carrying amount, therefore, there is no need for impairment. No goodwill impairment was recognized for fiscal 2017, 2016, and 2015.

Impairment of Long-Lived Assets

We evaluate long-lived assets, such as property and equipment and intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We measure recoverability of assets to be held and used by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. We review the carrying value of indefinite-lived intangible assets for impairment at least annually during the last quarter of our fiscal year, or more frequently if we believe indicators of impairment exist. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, we recognize an impairment charge in an amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the

consolidated balance sheets. During fiscal 2016, we recorded a \$6.7 million impairment charge for an acquired intangible asset related to ThinTouch developed technology, which we determined is probable not to be recoverable, based on revenue forecasts. This intangible asset has been written down to zero. During fiscal 2017 and 2015, we did not have an impairment charge.

Other Accrued Liabilities

As of the end of fiscal 2017 and 2016, other accrued liabilities consisted of the following (in millions):

	2017	2016
Customer obligations	\$ 34.8	\$ 34.8
Inventory obligations	41.8	24.0
Warranty	4.4	3.5
Other	20.8	20.0
	<u>\$ 101.8</u>	<u>\$ 82.3</u>

Segment Information

We operate in one segment: the development, marketing, and sale of intuitive human interface solutions for electronic devices and products. The chief operating decision maker is the chief executive officer who evaluates financial performance and allocates resources using financial information reported on a company-wide basis.

Share-Based Compensation

We utilize the Black-Scholes option pricing model to estimate the grant date fair value of stock options granted to employees, which requires the input of highly subjective assumptions, including expected volatility and expected life. Historical and implied volatilities were used in estimating the fair value of our stock option awards. The expected life for our options was previously estimated based on historical trends since our initial public offering. In fiscal 2011, we began to grant options with a contractual life of seven years rather than 10 years, and we began using the simplified method to establish the expected life as we did not have any history of options with seven-year lives. Our outstanding options have vesting periods of three or four years, depending on when they were granted and we continue to use the simplified method to establish the expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. Further, we estimate forfeitures for share-based awards that are not expected to vest. We charge estimated fair value less estimated forfeitures to earnings on a straight-line basis over the vesting period of the entire underlying award, which is generally three to four years for our stock option and deferred stock unit, or DSU, awards, three years for our market stock unit, or MSU, awards, and up to two years for our employee stock purchase plan.

We estimate the fair value of market-based MSUs at the date of grant using a Monte Carlo simulation model and amortize those fair values over the requisite service period, generally three years, adjusted for estimated forfeitures for each vesting tranche of the award. The Monte Carlo simulation model that we use to estimate the fair value of market-based MSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based MSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria.

Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize the effect of a change in tax rates in income on deferred tax assets and liabilities in the period that includes the enactment date. We establish valuation allowances when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized. We consider the operating earnings of our foreign subsidiaries to be indefinitely invested outside the United States. Accordingly, no provision has been made for the U.S. federal, state, or foreign taxes that may result from future remittances of undistributed earnings of our foreign subsidiaries.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement with a taxing authority. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of highly complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our consolidated financial position, results of operations, and cash flows. We believe we have adequately provided for reasonably foreseeable outcomes in connection with the resolution of income tax uncertainties. However, our results have in the past, and could in the future, include favorable and unfavorable adjustments to our estimated tax liabilities in the period a determination of such estimated tax liability is made or resolved, upon the filing of an amended return, upon a change in facts, circumstances, or interpretation, or upon the expiration of a statute of limitation. Accordingly, our effective tax rate could fluctuate materially from period to period.

Research and Development

Research and development costs are expensed as incurred.

2. Net Income Per Share

The computation of basic and diluted net income per share for fiscal 2017, 2016, and 2015 was as follows (in millions, except per share amounts):

	2017	2016	2015
Numerator:			
Net income	\$ 48.8	\$ 72.2	\$ 110.4
Denominator:			
Shares, basic	34.8	36.6	36.9
Effect of dilutive share-based awards	0.8	1.3	2.0
Shares, diluted	35.6	37.9	38.9
Net income per share:			
Basic	\$ 1.40	\$ 1.97	\$ 2.99
Diluted	\$ 1.37	\$ 1.91	\$ 2.84

Diluted net income per share does not include the effect of potential common shares related to certain share-based awards for fiscal 2017, 2016, and 2015 as follows (in millions):

	2017	2016	2015
Share-based awards	1.4	0.7	0.3

These share-based awards were not included in the computation of diluted net income per share because the proceeds received, if any, from such share-based awards combined with the average unamortized compensation costs adjusted for the hypothetical tax benefit or deficiency creditable or chargeable, respectively, to additional paid-in capital, were greater than the average market price of our common stock, and therefore, their effect would have been antidilutive.

Our basic net income per share amounts for each period presented have been computed using the weighted average number of shares of common stock outstanding. Our diluted net income per share amounts for each period presented include the weighted average effect of potentially dilutive shares. We used the "treasury stock" method to determine the dilutive effect of our stock options, DSUs, and MSUs.

3. Auction Rate Securities

Our ARS investments, which are included in non-current other assets, have failed to settle in auctions beginning in 2007. These investments are not liquid, and in the event we need to access these funds, we will not be able to do so without a loss of principal, unless redeemed by the issuers or a future auction on these investments is successful. During our fiscal years 2017, 2016 and 2015, \$7.5 million, \$6.6 million and \$4.9 million, respectively, of our ARS investments were redeemed.

Our failed ARS investments were compared to other observable market data or securities with similar characteristics. Our estimate of the fair value of our ARS investments fluctuates from period to period depending on future market conditions.

We have ARS investments with a fair value of \$1.5 million with no maturity date, which are below investment grade and have a total par value of \$5.0 million.

The type of ARS investments we held as of the end of fiscal 2017, including the original cost basis, other-than-temporary impairment included in retained earnings, new cost basis, unrealized gain, and fair value consisted of the following (in millions):

	Original Cost Basis	Other-than-temporary Impairment in Retained Earnings	New Cost Basis	Unrealized Gain	Fair Value
Preferred stock	\$ 5.0	\$ (5.0)	\$ —	\$ 1.5	\$ 1.5

The various types of ARS investments we held as of the end of fiscal 2016, including the original cost basis, other-than-temporary impairment included in retained earnings, new cost basis, unrealized gain, and fair value consisted of the following (in millions):

	Original Cost Basis	Other-than-temporary Impairment in Retained Earnings	New Cost Basis	Unrealized Gain	Fair Value
Credit linked notes	\$ 7.5	\$ (2.2) ⁽¹⁾	\$ 5.3	\$ 1.8	\$ 7.1
Preferred stock	5.0	(5.0)	—	1.5	1.5
Total ARS Investments	\$ 12.5	\$ (7.2)	\$ 5.3	\$ 3.3	\$ 8.6

(1) Other-than-temporary impairment in retained earnings is partially offset by cumulative accretion of \$4.4 million on non-current other assets. Accretion is reclassified from accumulated other comprehensive income and recorded in the consolidated statements of income as interest income.

We have accounted for our ARS investments as non-current as we are not able to reasonably determine when the ARS markets will recover or be restructured. Based on our ability to access our cash and cash equivalents, our expected operating cash flows, and our other sources of cash, we do not intend to sell our ARS investments and it is not more likely than not that we will be required to sell our ARS investments before the recovery of the amortized cost basis.

4. Property and Equipment

Property and equipment as of the end of fiscal 2017 and 2016 consisted of the following (in millions):

	Life	2017	2016
Land	—	\$ 13.3	\$ 13.3
Building and building improvements	35 years	47.9	44.5
Computer equipment	3 - 5 years	29.7	25.3
Manufacturing equipment	1 - 5 years	75.7	65.8
Furniture, fixtures, and leasehold improvements	3 - 10 years	21.5	21.1
Capitalized software	3 - 7 years	32.5	30.0
		220.6	200.0
Accumulated depreciation and amortization		(106.8)	(87.3)
Property and equipment, net		\$ 113.8	\$ 112.7

In fiscal 2017 and 2016, there was \$10.8 million and \$10.9 million, respectively, of property and equipment retired which was fully amortized.

5. Acquisitions

Validity

On November 7, 2013, or the Acquisition Date, we acquired 100% of the outstanding common and preferred shares and voting interest of a privately held company, Validity Sensors, Inc., or Validity. As of June 30, 2016, the remaining liability for contingent consideration of \$8.7 million represents amounts we have not paid and have retained, subject to resolution of matters related to the Amkor Technology legal settlement (see *Legal Proceedings* under Note 8).

Renesas SP Drivers

On June 11, 2014, we entered into a stock purchase agreement to acquire all of the outstanding stock of Renesas SP Drivers, Inc., or RSP, a leading provider of small- and medium-sized display driver integrated circuits for smartphones and tablets, or the RSP Acquisition. Effective as of October 1, 2014, or the Closing Date, we completed the RSP Acquisition by acquiring 100% of the outstanding capital stock of RSP for an initial purchase price of approximately ¥50.6 billion (or approximately \$463 million), with Japanese yen converted into U.S. dollars at the Closing Date conversion rate of 109.4 Japanese yen to one U.S. dollar. The purchase price at the Closing Date was paid entirely in cash, with ¥7.25 billion (or approximately \$66 million) held back until the date that is 18 months after the Closing Date to address any post-closing adjustments or claims, or the Indemnification Holdback, and ¥5.25 billion (or approximately \$48 million) held back in respect of a potential post-closing working capital, cash balance, indebtedness and transaction expenses adjustments, or the Working Capital Holdback. Subsequent to the Closing Date, we determined that \$4.8 million of additional purchase consideration was due to the sellers pursuant to the requirements of the Working Capital Holdback and have adjusted the purchase price to \$468 million.

The Working Capital Holdback as adjusted for additional purchase consideration was settled in the three months ended March 31, 2015, for a total of ¥5.78 billion (or \$48.6 million). The majority of the Indemnification Holdback was settled in fiscal 2016 and the remainder was settled in fiscal 2017 after resolution of the IIX legal complaint (see *Legal Proceedings* under Note 8). The RSP Acquisition has been accounted for as a business combination and the results of RSP's operations have been included in our consolidated financial statements since the Closing Date.

6. Acquired Intangibles

The following table summarizes the life, the gross carrying value of our acquired intangible assets, and the related accumulated amortization as of the end of fiscal 2017 and 2016 (in millions):

	Weighted Average Life in Years	2017	2016
Display driver technology	5.3	\$ 164.0	\$ 164.0
Fingerprint authentication technology	4.3	63.5	75.6
Customer relationships	2.8	48.4	48.4
Licensed technology and other	5.0	1.3	1.3
Patents	7.7	4.8	4.8
Supplier arrangement		-	22.0
Acquired intangibles, gross	4.3	282.0	316.1
Accumulated amortization		(181.0)	(155.8)
Acquired intangibles, net		\$ 101.0	\$ 160.3

In fiscal 2017, there was \$12.1 million of Fingerprint developed technology and \$22.0 million Supplier arrangement retired which were fully depreciated.

Amortization expense is calculated using the straight-line method over the estimated useful lives of the acquired intangibles. The total amortization expense for the acquired intangible assets was \$59.3 million in fiscal 2017 and \$73.0 million in fiscal 2016. This amortization expense was included in our consolidated statements of income as acquired intangibles amortization and cost of revenue.

The following table presents expected annual aggregate amortization expense in future fiscal years (in millions):

2018	\$	48.6
2019		34.2
2020		10.6
2021		3.5
2022		3.5
Thereafter		0.6
Future amortization	\$	<u>101.0</u>

7. Debt

On September 30, 2014, we entered into the Credit Agreement, with the lenders that are party thereto, or the Lenders, and Wells Fargo Bank, National Association, as Administrative Agent for the Lenders. On October 20, 2015, we entered into a Commitment Increase Agreement and First Amendment to Credit Agreement, or the First Amendment, with the Administrative Agent and each of the lenders party thereto, which amends the Credit Agreement, among us, the Lenders and the Administrative Agent. On April 6, 2017, we entered into a Commitment Increase Agreement and Second Amendment, or the Incremental Amendment, to our existing Credit Agreement.

Pursuant to the First Amendment, we exercised our right under the Credit Agreement to request a \$100 million increase to the aggregate revolving credit commitment thereunder, for total aggregate revolving credit commitments of \$250 million, and the Lenders under the Credit Agreement agreed to provide such increased revolving credit commitments pursuant to the terms of the First Amendment. Pursuant to the Incremental Amendment, we increased the maximum permitted principal amount of incremental loan commitments to \$200 million, and utilized such increased amount to obtain additional revolving commitments under the Credit Agreement from each of the existing lenders in the aggregate principal amount of \$200 million, such that after giving effect to the Incremental Amendment, the aggregate amount of the revolving commitments under the Credit Agreement became \$450 million.

The Credit Agreement provides for, among other things, (i) a revolving credit facility of up to \$150 million, subsequently amended and increased to \$450 million, which includes a \$20 million sublimit for letters of credit and a \$20 million sublimit for swingline loans, and (ii) a term loan facility in an amount of \$150 million. Under the terms of the Credit Agreement, we may, subject to the satisfaction of certain conditions, request increases in the revolving credit facility commitments and additional term loan commitments in an aggregate principal amount of up to \$200 million to the extent existing or new lenders agree to provide such increased or additional commitments, as applicable. We borrowed \$150 million under the term loan facility and \$100 million under the revolving credit facility to finance a portion of the RSP Acquisition purchase price. Debt issuance costs were approximately \$5.0 million, which are being amortized over 60 months.

Our obligations under the Credit Agreement are guaranteed by the material domestic subsidiaries of our company, subject to certain exceptions (such material subsidiaries, together with our company, collectively, the Credit Parties). The obligations of the Credit Parties under the Credit Agreement and the other loan documents delivered in connection therewith are secured by a first priority security interest in substantially all of the existing and future personal property of the Credit Parties, including, without limitation, 65% of the voting capital stock of certain of the Credit Parties' direct foreign subsidiaries, subject to certain exceptions.

The revolving credit facility and term loans bear interest at our election of a Base Rate plus an Applicable Margin or LIBOR plus an Applicable Margin. Swingline loans bear interest at a Base Rate plus an Applicable Margin. The Base Rate is a floating rate that is the greater of the Prime Rate, the Federal Funds Rate plus 50 basis points, or LIBOR plus 100 basis points. The Applicable Margin is based on a sliding scale which ranges from zero to 100 basis points for Base Rate loans and 100 basis points to 200 basis points for LIBOR loans. During fiscal 2017, the interest rates on our borrowings ranged from approximately 1.85% to 2.86%.

The term loan facility requires repayment over five years with nineteen quarterly principal payments which began in the three months ended March 31, 2015. Each of the first four quarterly principal payments were \$1.9 million, each of the following quarterly principal payments are \$3.8 million, and the final principal payment of \$90.0 million is due on September 30, 2019. The revolving credit facility requires payment in full on September 30, 2019. We are also required to pay a commitment fee for any unused portion of the revolving credit facility, which ranges from 0.25% to 0.45% per annum. Interest on the term loan facility and revolving credit facility is payable quarterly. As of June 30, 2017, the outstanding balance of the debt owed under the Credit Agreement was \$220.0 million.

Under the Credit Agreement, there are various restrictive covenants, including three financial covenants which limit the consolidated total leverage ratio, or leverage ratio, the consolidated interest coverage ratio, or interest coverage ratio, a restriction which places a limit on the amount of capital expenditures that may be made in any fiscal year, a restriction that permits up to \$50 million per fiscal quarter of accounts receivable financings, and sets the Specified Leverage Ratio. The leverage ratio is the ratio of debt as of the measurement date to earnings before interest, taxes, depreciation and amortization, or EBITDA, for the four consecutive quarters ending with the quarter of measurement. The current leverage ratio shall not exceed 2.50 to 1.0 provided that for the four fiscal quarters ending after the date of a material acquisition, such maximum leverage ratio shall be adjusted to 3.0 to 1.0, and thereafter, shall not be more than 2.75 to 1.0. The interest coverage ratio is EBITDA to interest expense for the four consecutive quarters ending with the quarter of measurement. The interest coverage ratio must not be less than 3.50 to 1.0 during the term of the agreement. The Specified Leverage Ratio is the ratio used in determining, among other things, whether we are permitted to make dividends and/or prepay certain indebtedness, at a fixed ratio of 2.25 to 1.0. As of the end of fiscal 2017, we were in compliance with the restrictive covenants.

The Incremental Amendment increased the maximum permitted leverage ratio during the last three years of the agreement from 2.0:1.0 to 2.50:1.00, with a further increase to 3.00:1.00 for the first four fiscal quarters ending after any acquisition having an aggregate consideration exceeding \$150.0 million and stepping down to 2.75:1.00 thereafter, and modified the negative covenants to permit up to \$50.0 million per fiscal quarter of accounts receivable financings.

On June 26, 2017, subsequent to the end of our fiscal 2017, we issued convertible debt and used \$220.0 million of the proceeds to pay off the balance of our term loan and our revolving credit facility debt as of June 26, 2017, the term loan was closed and we continued to have the revolving credit facility available. In July 2017, we made an election to reduce the commitment under the revolving credit facility to \$250.0 million. See Subsequent Events under Note 15.

8. Commitments and Contingencies

Leases

We maintain office facilities in various locations under operating leases with expiration dates from fiscal 2018 to fiscal 2022, some of which have renewal options of one to five years. Our leased office facilities are located in Armenia, China, Denmark, Hong Kong, India, Japan, Korea, Switzerland, Taiwan, the United States, and Vietnam. We recognized rent expense on a straight-line basis of \$10.6 million, \$9.2 million, and \$7.9 million for fiscal 2017, 2016, and 2015, respectively.

The aggregate minimum rental commitments in future fiscal years for non-cancelable operating leases with initial or remaining terms in excess of one year were as follows (in millions):

Fiscal Year	Operating Lease Payments
2018	\$ 7.9
2019	2.9
2020	0.8
2021	0.4
2022	0.1
Thereafter	-
Total minimum operating lease payments	\$ 12.1

Contingencies

We have in the past, and may in the future receive notices from third parties that claim our products infringe their intellectual property rights. We cannot be certain that our technologies and products do not and will not infringe issued patents or other proprietary rights of third parties.

Any infringement claims, with or without merit, could result in significant litigation costs and diversion of management and financial resources, including the payment of damages, which could have a material adverse effect on our business, financial condition, and results of operations.

Indemnifications

In connection with certain agreements, we are obligated to indemnify the counterparty against third party claims alleging infringement of certain intellectual property rights by us. We have also entered into indemnification agreements with our officers and directors. Maximum potential future payments cannot be estimated because these agreements do not have a maximum stated liability. However, historical costs related to these indemnification provisions have not been significant. We have not recorded any liability in our consolidated financial statements for such indemnification obligations.

Legal Proceedings

In October 2015, Amkor Technology, or Amkor, filed a complaint against us alleging infringement of intellectual property rights and various other claims. In November 2015, we filed an indemnification claim against the former stockholders and option holders of Validity to secure our rights under the Agreement and Plan of Reorganization between us and Validity (the "Validity Agreement"). Pursuant to the Validity Agreement, we believe we can offset costs, damages and settlements incurred in connection with our defense and resolution of the complaint with Amkor against the contingent consideration earnout balance of \$8.7 million and have classified the reserve balance as a current acquisition-related liability in our consolidated balance sheet. In April 2017, we agreed to settle this case with Amkor on undisclosed terms that include each party licensing and assigning certain intellectual property rights, and cash payments. Settlement costs incurred in connection with this litigation have been recorded in our consolidated financial statements and all but an immaterial amount was paid during fiscal 2017. The indemnification claim against the former stockholders and option holders of Validity remains outstanding.

In September 2015, IIX Inc., or IIX, filed a complaint against us demanding payment of certain fees and costs plus interest allegedly due to IIX under a memorandum of understanding, or MOU, entered into between IIX and RSP, as well as litigation costs. In September 2015, we tendered a claim for indemnification from Renesas Electronics Corporation, or Renesas, on the basis that the IIX claim arises from a breach of Renesas' obligations under the Stock Purchase Agreement that we executed with Renesas, among others, in June 2014. Accordingly, we previously retained ¥648 million of the indemnification holdback liability. In May 2017, we entered into settlement agreements with IIX and Renesas. In June 2017, we made a payment to IIX as part of the settlement and recovered a portion of the settlement and legal costs from the indemnification holdback liability. The balance of approximately \$5.4 million indemnification holdback liability was remitted to Renesas in June 2017.

9. Stockholders' Equity

Preferred Stock

We are authorized, subject to limitations imposed by Delaware law, to issue up to a total of 10,000,000 shares of preferred stock in one or more series without stockholder approval. Our Board of Directors has the power to establish, from time to time, the number of shares to be included in each series and to fix the rights, preferences, and privileges of the shares of each wholly unissued series and any of its qualifications, limitations, or restrictions. Our Board of Directors can also increase or decrease the number of shares of a series, but not below the number of shares of that series then outstanding, without any further vote or action by the stockholders.

Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could harm the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of our company and might harm the market price of our common stock and the voting power and other rights of the holders of our common stock. As of the end of fiscal 2017, there were no shares of preferred stock outstanding.

Shares Reserved for Future Issuance

Shares of common stock reserved for future issuance as of the end of fiscal 2017 were as follows:

Stock options outstanding	2,490,168
Deferred stock units outstanding	1,320,798
Market stock units outstanding	158,596
Awards available for grant under all share-based compensation plans	2,947,069
Reserved for future issuance	<u>6,916,631</u>

Treasury Stock

Our cumulative authorization for our common stock repurchase program is \$1.15 billion, as of the end of fiscal 2017, expiring in July 2018. The program authorizes us to repurchase our common stock in the open market or in privately negotiated transactions depending upon market conditions and other factors. The number of shares repurchased and the timing of repurchases is based on the level of our cash balances, general business and market conditions, and other factors, including alternative investment opportunities. Common stock repurchased under this program is held as treasury stock. As of the end of fiscal 2017, we had \$169.7 million remaining under our common stock repurchase program.

10. Share-Based Compensation

The purpose of our various share-based compensation plans is to attract, motivate, retain, and reward high-quality employees, directors, and consultants by enabling such persons to acquire or increase their proprietary interest in our common stock in order to strengthen the mutuality of interests between such persons and our stockholders and to provide such persons with annual and long-term performance incentives to focus their best efforts on the creation of stockholder value. Consequently, we determine whether to grant share-based compensatory awards subsequent to the initial award for our employees and consultants primarily on individual performance. Our share-based compensation plans with outstanding awards consist of our Amended and Restated 2001 Incentive Compensation Plan, or our 2001 Plan; our Amended and Restated 2010 Incentive Compensation Plan, or our 2010 Plan; and our 2010 Employee Stock Purchase Plan, or our 2010 ESPP.

Share-based compensation awards available for grant or issuance for each plan as of the beginning of the fiscal year, including changes in the balance of awards available for grant for fiscal 2017, were as follows:

	Awards Available Under All Share-Based Award Plans	2010 Incentive Compensation Plan	2010 Employee Stock Purchase Plan
Balance at June 2016	1,458,301	1,128,167	330,134
Additional shares authorized	2,952,121	2,600,000	352,121
Stock options granted	(356,107)	(356,107)	—
Deferred stock units granted	(922,784)	(922,784)	—
Market stock units granted	(105,800)	(105,800)	—
Market stock units performance adjustment	55,739	55,739	—
Purchases under employee stock purchase plan	(302,085)	—	(302,085)
Forfeited	355,855	355,855	—
Fungible Shares Ratio Adjustment	(188,171)	(188,171)	—
Plan shares expired	—	—	—
Balance at June 2017	<u>2,947,069</u>	<u>2,566,899</u>	<u>380,170</u>

Our 2001 Plan, which expired in March 2011, was replaced by our 2010 Plan. Option awards that are currently outstanding under our 2001 Plan will remain outstanding until exercised, delivered, forfeited, or cancelled under the terms of their respective grant agreements.

Share-based compensation and the related tax benefit recognized in our consolidated statements of income for fiscal 2017, 2016, and 2015 were as follows (in millions):

	2017	2016	2015
Cost of revenue	\$ 2.2	\$ 1.8	\$ 1.4
Research and development	33.1	30.6	24.5
Selling, general, and administrative	26.5	24.4	18.2
Total	<u>\$ 61.8</u>	<u>\$ 56.8</u>	<u>\$ 44.1</u>
Income tax benefit on share-based compensation	<u>\$ 16.1</u>	<u>\$ 14.7</u>	<u>\$ 12.5</u>

We recognize a tax benefit upon expensing certain share-based awards associated with our share-based compensation plans, including nonqualified stock options, DSUs, and MSUs, but we cannot recognize a tax benefit concurrent with the recognition of share-based compensation expenses associated with incentive stock options and employee stock purchase plan shares (qualified stock awards). For qualified stock awards we recognize a tax benefit only in the period when disqualifying dispositions of the underlying stock occur, which historically has been up to several years after vesting and in a period when our stock price substantially increases.

We determine excess tax benefit using the long-haul method in which we compare the actual tax benefit associated with the tax deduction from share-based award activity to the hypothetical tax benefit based on the grant date fair values of the corresponding share-based awards. Tax benefit associated with excess tax deduction creditable to additional paid-in capital is not recognized until the deduction reduces taxes payable. Tax deficiency associated with a tax shortfall is debited to additional paid-in capital when incurred.

Historically, we have issued new shares in connection with our share-based compensation plans, however, treasury shares were also available for issuance as of the end of fiscal 2017. Any additional shares repurchased under our common stock repurchase program would be available for issuance under our share-based compensation plans.

Stock Options

Our share-based compensation plans with outstanding stock option awards include our 2001 Plan and our 2010 Plan. Under our 2010 Plan, we may grant incentive stock options or nonqualified stock options to purchase shares of our common stock at not less than 100% of the fair market value, or FMV, on the date of grant.

Options granted under our 2010 Plan generally vest three to four years from the vesting commencement date and expire seven years after the date of grant if not exercised.

Certain stock option activity for fiscal 2017 and balances as of the end of fiscal 2017 were as follows:

	Stock Option Awards Outstanding	Weighted Average Exercise Price	Intrinsic Value (In millions)
Balance at June 2016	2,711,542	\$ 46.69	
Granted	356,107	53.24	
Exercised	(404,738)	26.48	
Forfeited	(105,827)	70.81	
Expired	(66,916)	72.57	
Balance at June 2017	<u>2,490,168</u>	49.20	<u>\$ 41.1</u>
Exercisable at June 2017	<u>1,911,046</u>	44.28	<u>\$ 39.1</u>

The aggregate intrinsic value was determined using the closing price of our common stock on the last trading day of fiscal 2017, or June 23, 2017, of \$59.99 and excludes the impact of options that were not in-the-money. Approximately 51% of the stock option awards outstanding were vested and in-the-money as of the end of fiscal 2017.

At the end of fiscal 2017, we estimated that we have 2.4 million fully vested options and options expected to vest with an aggregate intrinsic value of \$40.9 million, having a weighted average exercise price of \$48.89 and a weighted average

remaining contractual term of 3.44 years. The weighted average remaining contractual term for the options exercisable is approximately 2.79 years.

Cash received and the aggregate intrinsic value of stock options exercised for fiscal 2017, 2016, and 2015 were as follows (in millions):

	2017	2016	2015
Cash received	\$ 10.7	\$ 16.6	\$ 36.2
Aggregate intrinsic value	\$ 12.3	\$ 29.7	\$ 69.9

The fair value of each award granted under our share-based compensation plans for fiscal 2017, 2016, and 2015 was estimated at the date of grant using the Black-Scholes option pricing model, assuming no expected dividends and the following range of assumptions:

	2017	2016	2015
Expected volatility	45.2% - 48.3%	40.4% - 44.2%	38.7% - 44.0%
Expected life in years	3.8 - 4.6	3.8 - 4.6	3.8 - 4.3
Risk-free interest rate	1.03% - 1.94%	1.22% - 1.72%	1.18% - 1.80%
Fair value per award	\$ 21.08	\$ 28.30	\$ 27.19

The unrecognized share-based compensation costs for stock options granted under our various plans were approximately \$14.1 million as of the end of fiscal 2017, to be recognized over a weighted average period of approximately 1.96 years.

Deferred Stock Units

Our 2010 Plan provides for the grant of DSU awards to our employees, consultants, and directors. A DSU is a promise to deliver shares of our common stock at a future date in accordance with the terms of the DSU grant agreement. We began granting DSUs in January 2006.

DSUs granted under our 2010 Plan generally vest ratably over three to four years from the vesting commencement date. Delivery of shares under the plan takes place on the quarterly vesting dates. At the delivery date, we withhold shares to cover statutory minimum tax withholding by delivering a net quantity of shares. Until delivery of shares, the grantee has no rights as a stockholder.

An election to defer delivery of the underlying shares for unvested DSUs can be made by the grantee provided the deferral election is made at least one year before vesting and the deferral period is at least five years from the scheduled delivery date.

DSU activity, including DSUs granted, delivered, and forfeited in fiscal 2017, and the balance and aggregate intrinsic value of DSUs as of the end of fiscal 2017 were as follows:

	DSU Awards Outstanding	Aggregate Intrinsic Value (in millions)	Weighted Average Grant Date Fair Value
Balance at June 30, 2016	1,005,981		\$ 77.93
Granted	922,784		62.62
Delivered	(452,131)		73.36
Forfeited	(155,836)		75.14
Balance at June 30, 2017	<u>1,320,798</u>	<u>\$ 79.2</u>	69.14

Of the shares delivered, 116,760 shares valued at \$6.3 million were withheld to meet statutory minimum tax withholding requirements. The aggregate intrinsic value was determined using the closing price of our common stock on the last trading day of fiscal 2017, or June 23, 2017, of \$59.99.

The unrecognized share-based compensation cost for DSUs granted under our 2010 Plan was approximately \$78.1 million as of the end of fiscal 2017, which will be recognized over a weighted average period of approximately 2.09 years. The aggregate market value of DSUs delivered in fiscal 2017, 2016, and 2015 was \$24.3 million, \$26.7 million, and \$23.8 million, respectively.

Market Stock Units

Our 2010 Plan provides for the grant of MSU awards, to our employees, consultants, and directors. An MSU is a promise to deliver shares of our common stock at a future date based on the achievement of market-based performance requirements in accordance with the terms of the MSU grant agreement.

We have granted MSUs to our executive officers, which are designed to vest in three tranches with the target quantity for each tranche equal to one-third of the total MSU grant. The first tranche vests based on a one-year performance period; the second tranche vests based on a two-year performance period; and the third tranche vests based on a three-year performance period. Performance is measured based on the achievement of a specified level of total stockholder return, or TSR, relative to the TSR of the Philadelphia Semiconductor Index, or SOX Index. The potential payout ranges from 0% to 200% of the grant target quantity and is adjusted on a two-to-one ratio based on our TSR performance relative to the SOX Index using the following formula:

$$(100\% + ([\text{Synaptics TSR} - \text{SOX Index TSR}] \times 2))$$

Beginning with the MSU grants in fiscal 2015, the payout for tranche one and two will not exceed 100% and the payout for tranche three will be calculated based on the total target quantity for the entire grant multiplied by the payout factor, which will then be reduced by tranche one and tranche two stock issuances.

Delivery of shares earned, if any, will take place on the dates provided in the applicable MSU grant agreement, assuming the grantee is still an employee, consultant, or director of our company at the end of the applicable performance period. On the delivery date, we withhold shares to cover statutory minimum tax withholding requirements and deliver a net quantity of shares to the employee, consultant, or director after such withholding. Until delivery of shares, the grantee has no rights as a stockholder with respect to any shares underlying the MSU award.

MSU activity, including MSUs granted, delivered, and forfeited in fiscal 2017, and the balance and aggregate intrinsic value of MSUs as of the end of fiscal 2017 were as follows:

	MSU Awards Outstanding	Aggregate Intrinsic Value (in millions)	Weighted Average Grant Date Fair Value
Balance at June 30, 2016	146,150		\$ 97.54
Granted	105,800		67.51
Performance adjustment	(55,739)		—
Delivered	(10,339)		60.62
Forfeited	(27,276)		91.88
Balance at June 30, 2017	<u>158,596</u>	<u>\$ 9.5</u>	82.88

As a result of the Synaptics TSR underperforming the SOX Index TSR by 27 percentage points, we delivered 45% of the targeted shares underlying the November 2013 MSU grants, or 10,339 additional shares. Of the shares delivered, 4,770 shares valued at \$0.2 million were withheld to meet statutory minimum tax withholding requirements. As a result of the Synaptics TSR underperforming the SOX Index TSR by 54 percentage points, we did not deliver any of the targeted shares underlying the October 2014 MSU grants. As a result of the Synaptics TSR underperforming the SOX Index TSR by 50 percentage points, we did not deliver any of the targeted shares underlying the October 2015 MSU grants.

The aggregate intrinsic value assumes a 100% payout factor and was determined using the closing price of our common stock on the last trading day of fiscal 2017, or June 23, 2017, of \$59.99.

The fair value of each MSU granted from our plans for fiscal 2017, 2016, and 2015 was estimated at the date of grant using the Monte Carlo simulation model, assuming no expected dividends and the following assumptions:

	2017	2016	2015
Expected volatility of company	52.54%	45.57%	43.65%
Expected volatility of SOX index	21.23%	19.65%	20.60%
Correlation coefficient	0.45	0.42	0.43
Expected life in years	2.92	2.94	2.93
Risk-free interest rate	1.01%	0.92%	0.79%
Fair value per award	\$ 67.51	\$ 126.74	\$ 66.48

We amortize the compensation expense over the three-year performance and service period. The unrecognized share-based compensation cost of our outstanding MSUs was approximately \$10.0 million as of the end of fiscal 2017, which will be recognized over a weighted average period of approximately 1.0 years.

Of the shares delivered, 4,770 shares valued at \$0.2 million were withheld to meet statutory minimum tax withholding requirements.

Employee Stock Purchase Plan

Our 2010 ESPP became effective on January 1, 2011. The 2010 ESPP allows employees to designate up to 15% of their base compensation, subject to legal restrictions and limitations, to purchase shares of common stock at 85% of the lesser of the FMV at the beginning of the offering period or the exercise date. The offering period extends for up to two years and includes four exercise dates occurring at six-month intervals. Under the terms of our 2010 ESPP, if the FMV at an exercise date is less than the FMV at the beginning of the offering period, the current offering period will terminate and a new two-year offering period will commence.

Shares purchased, weighted average purchase price, cash received, and the aggregate intrinsic value for employee stock purchase plan purchases in fiscal 2017, 2016, and 2015 were as follows (in millions, except shares purchased and weighted average purchase price):

	2017	2016	2015
Shares purchased	302,085	302,781	367,646
Weighted average purchase price	\$ 46.74	\$ 52.42	\$ 35.11
Cash received	\$ 14.1	\$ 15.8	\$ 12.9
Aggregate intrinsic value	\$ 2.7	\$ 7.0	\$ 13.7

The fair value of each award granted under our 2010 ESPP for fiscal 2017, 2016, and 2015 was estimated using the Black-Scholes option pricing model, assuming no expected dividends and the following range of assumptions:

	2017	2016	2015
Expected volatility	38.4 - 54.9%	37.4% - 40.6%	36.8% - 47.9%
Expected life in years	0.5 - 2.0	0.5 - 1.0	0.5 - 2.0
Risk-free interest rate	0.62% - 1.20%	0.33% - 0.54%	0.07% - 0.54%
Fair value per award	\$ 20.44	\$ 24.52	\$ 21.23

The expected volatility is based on either implied volatility for the expected lives of 0.5 years or a weighting of implied and historical volatility for expected lives greater than 0.5 years; the expected life is the period starting at the enrollment date until each purchase date remaining in the offering period at the date of enrollment in the plan; and the risk free interest rate is based on U.S. Treasury yields or yield curve in effect for each expected life.

Unrecognized share-based compensation costs for awards granted under our 2010 ESPP at the end of fiscal 2017 were approximately \$9.4 million that will be amortized over the next 16 months.

11. Employee Benefit Plans

401(k) Plan

We have a 401(k) Retirement Savings Plan for full-time employees in the United States. Under the plan, eligible employees may contribute a portion of their net compensation up to the annual limit of \$18,000, or \$24,000 for employees who are 50 years or older. In fiscal 2017, we provided matching funds of 25% of our employees' contributions, excluding catch-up contributions. The employer matching funds vest 25% over four years and are fully vested at the end of the fourth year. We made matching contributions of \$2.3 million, \$2.5 million, and \$2.3 million in fiscal 2017, 2016, and 2015, respectively.

12. Income Taxes

Income before provision for income taxes for fiscal 2017, 2016, and 2015 consisted of the following (in millions):

	2017	2016	2015
United States	\$ (10.1)	\$ 12.3	\$ 13.4
Foreign	71.4	63.3	146.8
Income before provision for income taxes	<u>\$ 61.3</u>	<u>\$ 75.6</u>	<u>\$ 160.2</u>

The provision for income taxes for fiscal 2017, 2016, and 2015 consisted of the following (in millions):

	2017	2016	2015
Current tax expense			
Federal	\$ 9.6	\$ 12.1	\$ 12.0
Foreign	25.5	12.4	63.0
	<u>35.1</u>	<u>24.5</u>	<u>75.0</u>
Deferred tax benefit			
Federal	(10.6)	(7.5)	(3.7)
Foreign	(12.3)	(13.6)	(21.5)
	<u>(22.9)</u>	<u>(21.1)</u>	<u>(25.2)</u>
Provision for income taxes	<u>\$ 12.2</u>	<u>\$ 3.4</u>	<u>\$ 49.8</u>

The provision for income taxes differs from the federal statutory rate for fiscal 2017, 2016, and 2015 as follows (in millions):

	2017	2016	2015
Provision at U.S. federal statutory rate	\$ 21.5	\$ 26.6	\$ 56.1
Qualified stock options	5.5	5.1	2.7
Business credits	(3.6)	(10.3)	(4.7)
Foreign tax differential	(13.2)	(22.4)	(4.3)
Non-deductible portion of contingent consideration	0.9	0.9	(4.7)
Change in valuation allowance	(0.8)	(1.4)	(0.5)
Nondeductible amortization	1.6	4.4	2.7
Other differences	0.3	0.5	2.5
Provision for income taxes	<u>\$ 12.2</u>	<u>\$ 3.4</u>	<u>\$ 49.8</u>

Net deferred tax assets as of the end of fiscal 2017 and 2016 consisted of the following (in millions):

	2017	2016
Non-current deferred tax assets	\$ 23.1	\$ 14.7
Non-current deferred tax liabilities	-	(9.0)
Net deferred tax assets	<u>\$ 23.1</u>	<u>\$ 5.7</u>

Non-current deferred tax assets and non-current deferred tax liabilities are included in other assets and other liabilities, respectively, in the accompanying consolidated balance sheets.

Significant components of our deferred tax assets (liabilities) as of the end of fiscal 2017 and 2016 consisted of the following (in millions):

	2017	2016
Deferred tax assets:		
Investment writedowns	\$ 1.8	\$ 2.5
Inventory writedowns	7.4	6.5
Property and equipment	3.0	0.8
Accrued compensation	0.2	2.5
Deferred compensation	1.9	1.7
Share-based compensation	15.6	12.6
Business credit carryforward	19.2	16.2
Net operating loss carryforward	0.3	2.5
Other accruals	2.0	2.4
	<u>51.4</u>	<u>47.7</u>
Valuation allowance	(15.8)	(14.1)
	<u>35.6</u>	<u>33.6</u>
Deferred tax liabilities:		
Acquisition intangibles	(9.2)	(22.9)
Interest	(3.3)	(5.0)
	<u>(12.5)</u>	<u>(27.9)</u>
Net deferred tax assets	<u>\$ 23.1</u>	<u>\$ 5.7</u>

Realization of deferred tax assets depends on our generating sufficient U.S. and certain foreign taxable income in future years to obtain a benefit from the utilization of those deferred tax assets on our tax returns. Accordingly, the amount of deferred tax assets considered realizable may increase or decrease when we reevaluate the underlying basis for our estimates of future U.S. and foreign taxable income. As of the end of fiscal 2017, a valuation allowance of \$15.8 million is maintained to reduce deferred tax assets to levels that we believe are more likely than not to be realized through future taxable income. The net change in the valuation allowance during fiscal 2017 was an increase of \$1.7 million.

Undistributed earnings of our foreign subsidiaries were approximately \$699.5 million as of the end of fiscal 2017 and are considered to be indefinitely reinvested overseas; accordingly, no U.S. income taxes have been provided for these earnings. The potential deferred tax liability associated with undistributed earnings of our foreign subsidiaries was approximately \$138.3 million as of the end of fiscal 2017.

As of the end of fiscal 2017, we had federal and California net operating loss carryforwards of approximately \$0.3 million and \$33.2 million, respectively. The California net operating loss will begin to expire in fiscal 2020, if not utilized. All of the California net operating loss carryforwards were attributable to share-based award deductions and any benefit of these net operating losses will be recorded directly to additional paid-in capital when realized. Under current tax law, net operating loss and tax credit carryforwards available to offset future income or income taxes may be limited by statute or upon the occurrence of certain events, including significant changes in ownership.

We had \$33.6 million and \$29.8 million of federal and state research tax credit carryforwards, respectively, as of the end of fiscal 2017. The benefit of \$32.2 million of these credits will be recorded directly to additional paid-in capital when realized. The federal research tax credit carryforward will begin to expire in 2032 and the state research tax credit can be carried forward indefinitely. We also had \$1.6 million of federal alternative minimum tax credit carryforward available to offset future federal tax liabilities with no expiration, which will be recorded directly to additional paid-in capital when realized.

The total liability for gross unrecognized tax benefits related to uncertain tax positions, included in other liabilities in our consolidated balance sheets, increased by \$1.8 million from \$13.4 million in fiscal 2016 to \$15.2 million in fiscal 2017. Of this amount, \$8.8 million will reduce the effective tax rate on income from continuing operations, if recognized. A reconciliation of the beginning and ending balance of gross unrecognized tax benefits for fiscal 2017, 2016, and 2015 consisted of the following (in millions):

	2017	2016	2015
Beginning balance	\$ 13.4	\$ 11.6	\$ 10.2
Increase in unrecognized tax benefits related to current year tax positions	2.5	1.6	2.3
Increase in unrecognized tax benefits related to prior year tax positions	0.1	1.1	0.3
Decrease due to statute expiration	(0.8)	(0.9)	(1.2)
Ending Balance	<u>\$ 15.2</u>	<u>\$ 13.4</u>	<u>\$ 11.6</u>

Accrued interest and penalties decreased by \$0.2 million, increased by \$0.3 million, and increased by \$0.2 million representing income tax expense or benefit, in fiscal 2017, 2016, and 2015, respectively. Accrued interest and penalties was \$1.2 million and \$1.4 million as of June 30, 2017 and 2016, respectively. Our policy is to classify interest and penalties, if any, as components of income tax expense.

It is reasonably possible that the amount of liability for unrecognized tax benefits may change within the next 12 months; an estimate of the range of possible changes could result in a decrease of \$0.9 million to an increase of \$5.8 million.

In July 2015, the U.S. Tax Court issued an opinion in *Altera Corp. v. Commissioner* related to a treasury regulation addressing the treatment of stock-based compensation in a cost-sharing arrangement with a related party. The U.S. Department of the Treasury has not withdrawn the requirement in its regulations related to the treatment of stock-based compensation. The Commissioner filed an appeal to the Ninth Circuit Court of Appeals in February 2016. While we determined no adjustment to our financial statements is required due to the uncertainties with respect to the ultimate resolution, we will continue to monitor developments in this case.

Our major tax jurisdictions are the United States, Hong Kong SAR, and Japan. From fiscal 2010 onward, we remain subject to examination by one or more of these jurisdictions. We are currently under an income tax examination by the IRS for fiscal years 2014 and 2015, which is in the early stages. No issues have been raised during the examination so far.

13. Segment, Customers, and Geographic Information

We operate in one segment: the development, marketing, and sale of semiconductor products used in electronic devices and products. We generate our revenue from two broad product categories: the mobile product market and the personal computing, or PC, product market.

Net revenue within geographic areas based on our customers' locations for fiscal 2017, 2016, and 2015, consisted of the following (in millions):

	2017	2016	2015
China	\$ 844.8	\$ 518.7	\$ 504.2
Japan	426.5	651.0	698.5
United States	231.4	249.1	223.0
South Korea	123.8	182.5	142.1
Taiwan	66.4	61.1	127.2
Other	25.3	4.5	8.0
	<u>\$ 1,718.2</u>	<u>\$ 1,666.9</u>	<u>\$ 1,703.0</u>

Net revenue from external customers for each group of similar products for fiscal 2017, 2016, and 2015 consisted of the following (in millions):

	2017	2016	2015
Mobile product applications	\$ 1,489.0	\$ 1,459.5	\$ 1,442.1
PC product applications	229.2	207.4	260.9
	<u>\$ 1,718.2</u>	<u>\$ 1,666.9</u>	<u>\$ 1,703.0</u>

Long-lived assets within geographic areas as of the end of fiscal 2017 and 2016 consisted of the following (in millions):

	2017	2016
United States	\$ 159.4	\$ 174.8
Asia/Pacific	262.1	305.0
	<u>\$ 421.5</u>	<u>\$ 479.8</u>

Our goodwill of \$206.8 million has been allocated to a company-wide reporting unit.

Major customers' revenue as a percentage of total net revenue for fiscal 2017, 2016, and 2015 were as follows:

	2017	2016	2015
Customer A	24%	20%	16%
Customer B	19%	21%	18%
Customer C	10%	*	*
Customer D	*	15%	11%
Customer E	*	*	11%

* Less than 10%

14. Restructuring Activities

In June 2016, our management approved, committed to and initiated plans to restructure and further improve efficiencies in our operational activities to align the Company's cost structure consistent with its revenue levels. Restructuring costs related to the June 2016 restructuring activities were recorded to the restructuring costs line item within our consolidated statements of income. These costs primarily related to severance costs for a reduction in headcount and facility consolidation and related costs. The total charges were \$11.7 million for severance costs and \$2.3 million for lease cancellation and related charges. The restructuring charges are complete as of June 30, 2017. The restructuring liability activities during fiscal 2017 and 2016 were as follows (in millions):

	Employee Severance and Benefits	Facility Consolidation and Related Charges	Total
Balance as of June 30, 2015	\$ -	\$ -	-
Accruals	6.7	-	6.7
Balance as of June 30, 2016	6.7	-	6.7
Additional accruals	5.0	2.3	7.3
Cash payments	(11.7)	(0.9)	(12.6)
Non-cash settlements	-	(0.8)	(0.8)
Balance as of June 30, 2017	<u>\$ -</u>	<u>\$ 0.6</u>	<u>\$ 0.6</u>

In the first quarter of fiscal 2016, we recorded \$1.9 million of restructuring costs in our consolidated statements of income. The costs included severance costs related to restructuring of the operations related to our acquisition of RSP. These activities were concluded in fiscal 2016.

15. Subsequent Events

Acquisitions

Conexant

On June 11, 2017, we entered into a stock purchase agreement to acquire all of the outstanding limited liability company interests of Conexant Systems, LLC, or Conexant, a technology leader in voice and audio processing solutions for the smart home (the “Conexant Acquisition”). The Conexant Acquisition is intended to increase our presence in the smart home market and increase opportunities to drive increased revenue. Effective as of July 25, 2017, or the Closing Date, we completed the Conexant Acquisition of 100% of the outstanding capital stock of Conexant for a purchase price of (i) \$305.8 million in cash (on a cash-free, debt-free basis) and (ii) 726,666 shares of our common stock (the Stock Consideration), with \$16.8 million of the purchase price held in escrow to secure the Seller Parties’ indemnification obligations under the purchase agreement. The Stock Consideration was issued at closing in an exempt private placement. On August 4, 2017, we filed a shelf registration statement on Form S-3 with the SEC providing for the registered resale of the Stock Consideration.

The acquisition will be accounted for using the purchase method of accounting in accordance with the business acquisition guidance. Under the purchase accounting method, the total estimated purchase consideration of the acquisition will be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets acquired and liabilities will be recorded as goodwill. As of the date of the filing of this Form 10-Q, the purchase price allocation has not been prepared as there has not been enough time to complete the related activities.

Marvell

On June 11, 2017, the Company entered into an asset purchase agreement to acquire the assets of the multimedia solutions business of Marvell Technology Group Ltd., or Marvell, a leading provider of advanced processing technology for video and audio applications for the smart home (the “Marvell Business Acquisition”). The purchase price is \$95 million in cash. The Marvell Business Acquisition is also intended to increase our presence in the smart home market and increase opportunities to drive increased revenue. We expect to close the Marvell Business Acquisition in the first quarter of fiscal 2018.

Convertible Debt

On June 20, 2017, we entered into a purchase agreement (the “Purchase Agreement”) with Wells Fargo Securities, LLC, as representative of the several initial purchasers named therein (collectively, the “Initial Purchasers”), pursuant to which we agreed to issue and sell, and the Initial Purchasers agreed to purchase, \$500 million aggregate principal amount of the Company’s 0.50% Convertible Senior Notes due 2022 (the “Notes”) in a private placement transaction. Pursuant to the Purchase Agreement, we also granted the Initial Purchasers a 30-day option to purchase up to an additional \$25 million aggregate principal amount of Notes, which was exercised in full on June 21, 2017. The net proceeds from the Offering, after deducting discounts and commissions and estimated offering expenses payable by the Company, were approximately \$514.5 million, which includes proceeds from the exercise of the Initial Purchasers’ option to purchase additional Notes. The Offering was completed on June 26, 2016, and we received the proceeds on such date.

The Notes bear interest at a rate of 0.50% per year. Interest will accrue from June 26, 2017 and will be payable semi-annually in arrears, on June 15 and December 15 of each year, beginning on December 15, 2017. The Notes are senior unsecured obligations of the Company and rank senior in right of payment to any of the Company’s indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to any of the Company’s liabilities that are not so subordinated; effectively junior in right of payment to any of the Company’s secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

The Notes will mature on June 15, 2022 (the “Maturity Date”), unless earlier repurchased, redeemed or converted.

Holder may convert all or any portion of their Notes, in multiples of \$1,000 principal amounts, at their option at any time prior to the close of business on the business day immediately preceding March 15, 2022 only under certain defined circumstances.

On or after March 15, 2022 until the close of business on the business day immediately preceding the Maturity Date, holders may convert all or any portion of their Notes, in multiples of \$1,000 principal amounts, at the option of the holder.

Upon conversion, we will pay or deliver, at our election, shares of common stock, or a combination of cash and shares of common stock.

The conversion rate for the Notes is initially 13.6947 shares of common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$73.02 per share of common stock). The conversion rate is subject to adjustment in certain circumstances.

Upon the occurrence of a fundamental change (as defined in the Indenture), holders of the Notes may require us to repurchase for cash all or a portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest up to, but excluding, the fundamental change repurchase date.

We may not redeem the Notes prior to June 20, 2020. We may redeem for cash all or any portion of the Notes, at our option, on or after June 20, 2020, if the last reported sale price of the Company's common stock, as determined by the Company, has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest up to, but excluding, the redemption date. Our policy is to settle the principal amount of our Convertible Notes with cash.

Payment of Debt

On June 26, 2017, we used \$220.0 million of the proceeds from the Notes, to pay the balance due on our revolving credit facility under the Credit Agreement, plus interest due, and to pay the balance due on our term loan, plus interest due. As of June 26, 2017, the term loan under the Credit Agreement was fully paid and closed. In July 2017, we made an election to reduce the commitment under the revolving credit facility under the Credit Agreement to \$250.0 million.

Common Stock Purchases

Pursuant to our common stock repurchase program, on June 26, 2017, and in connection with our issuance of the Notes, we used a portion of the proceeds from the Notes, to purchase 1,698,400 shares of our common stock for \$93.6 million.

- 1.1 Purchase Agreement, dated as of June 20, 2017, by and between the Company and Wells Fargo Securities, LLC, as representative of the initial purchasers named therein. (1)
 - 2.1 Agreement and Plan of Reorganization by and among Synaptics Incorporated, Itsme Acquisition Corp., Itsme Acquisition II LLC, Validity Sensors, Inc., and Shareholder Representative Services LLC, dated as of October 9, 2013 (2)
 - 2.2†# Stock Purchase Agreement, dated June 11, 2014, by and among Renesas Electronics Corporation, Renesas SP Drivers, Inc., Renesas SP Drivers Taiwan, Inc., Sharp Corporation, Powerchip Technology Corp., Global Powertec Co. Ltd., Quantum Vision Corporation, the registrant and Synaptics Holding GmbH (3)
 - 2.3# Stock Purchase Agreement, dated June 11, 2017, by and among Synaptics Incorporated, Lakestar Semi, Inc., CNXT Holdings, Inc. and Conexant Systems, LLC (4)
 - 3.1 Certificate of Incorporation (5)
 - 3.2 Certificate of Designation of Series A Junior Participating Preferred Stock (6)
 - 3.3 Third Amended and Restated Bylaws (amended and restated as of July 27, 2010) (7)
 - 3.4 Certificate of Amendment of Certificate of Incorporation of the registrant (8)
 - 3.5 Certificate of Amendment of Certificate of Incorporation of the registrant (9)
 - 4.1 Form of Common Stock Certificate (10)
 - 4.2 Indenture, dated as of June 26, 2017, by and between the Company and Wells Fargo, National Association, as trustee (1)
 - 4.3 Form of 0.50% Convertible Senior Note due 2022
 - 10.1 Credit Agreement, dated as of September 30, 2014, among Synaptics Incorporated, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (11)
 - 10.1.1 Commitment Increase Agreement and First Amendment to Credit Agreement, dated as of October 20, 2015 (12)
 - 10.1.2 Commitment Increase Agreement and Second Amendment to Credit Agreement, dated April 6, 2017. (13)
 - 10.6(a)* Amended and Restated 2001 Incentive Compensation Plan (as amended through January 23, 2007) (14)
 - 10.6(b)* Form of grant agreements for Amended and Restated 2001 Incentive Compensation Plan (15)
 - 10.6(c)* Form of deferred stock award agreement for Amended and Restated 2001 Incentive Compensation Plan (16)
 - 10.24(a)* Amended and Restated 2010 Incentive Compensation Plan (17)
 - 10.24(b)* Form of Non-Qualified Stock Option Agreement for 2010 Incentive Compensation Plan
 - 10.24(c)* Form of Incentive Stock Option Agreement for 2010 Incentive Compensation Plan (18)
 - 10.24(d)* Form of Deferred Stock Award Agreement for 2010 Incentive Compensation Plan
 - 10.24(e)* Form of Deferred Stock Award Agreement for Market Stock Units for Amended and Restated 2010 Incentive Compensation Plan
 - 10.25(a)* Amended and Restated 2010 Employee Stock Purchase Plan (3)
 - 10.26* Change of Control Severance Policy for Principal Executive Officers (3)
 - 10.27* Severance Policy for Principal Executive Officers (19)
 - 10.28* Employment Offer Letter dated September 28, 2011 between the registrant and Richard Bergman (20)
 - 10.29* Employment Offer Letter dated April 23, 2015 between the registrant and Wajid Ali (21)
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10.30*	Form of Director and Officer Indemnification Agreement (22)
21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1##	Section 1350 Certification of Chief Executive Officer
32.2##	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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- (1) Incorporated by reference to the Registrant's Current Report on Form 8-K as filed with the SEC on June 26, 2017.
- (2) Incorporated by reference to the registrant's Form 8-K as filed with the SEC on November 12, 2013.
- (3) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on August 22, 2014.
- (4) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on June 12, 2017.
- (5) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 21, 2002.
- (6) Incorporated by reference to the registrant's Form 8-A as filed with the SEC on August 16, 2002.
- (7) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on August 2, 2010.
- (8) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on December 7, 2004.
- (9) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (10) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 12, 2002.
- (11) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 1, 2014.
- (12) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 3, 2016.
- (13) Incorporated by reference to the registrant's Current Report on 8-K as filed with the SEC on April 6, 2017.
- (14) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on November 8, 2007.
- (15) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 6, 2003.
- (16) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 7, 2006.
- (17) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 28, 2016.
- (18) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (19) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 6, 2011.
- (20) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 4, 2011.
- (21) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on August 25, 2015.
- (22) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on May 17, 2016.

* Indicates a contract with management or compensatory plan or arrangement.

† Certain portions of this exhibit have been omitted pursuant to a grant of confidential treatment by the Securities and Exchange Commission.

Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished as a supplement to the Securities and Exchange Commission upon request.

This certification is being furnished solely pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act or incorporated by reference in any registration statement of the Company filed under the Securities Act.

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREUNDER IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE FOLLOWING LEGEND IF A RESTRICTED SECURITY]

[THIS SECURITY AND THE SHARES OF COMMON STOCK, IF ANY, ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF SYNAPTICS INCORPORATED (THE “COMPANY”) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(D) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.]

SYNAPTICS INCORPORATED

0.50% Convertible Senior Note due 2022

No. [] [Initially]1 \$[]

CUSIP No. 87157D AC3

Synaptics Incorporated, a corporation duly organized and validly existing under the laws of the State of Delaware (the “**Company**,” which term includes any successor corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [CEDE & CO.]² []³, or registered assigns, the principal sum [as set forth in the “Schedule of Exchanges of Notes” attached hereto]⁴ [of \$[]]⁵, which amount, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed \$525,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depository, on June 15, 2022, and interest thereon as set forth below.

This Note shall bear interest at the rate of 0.50% per year from June 26, 2017, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until June 15, 2022. Interest is payable semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2017, to Holders of record at the close of business on the preceding June 1 and December 1 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(d), Section 4.06(e) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(d), Section 4.06(e) or Section 6.03, and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of the number of days actually elapsed in a 30-day month.

Any Defaulted Amounts shall accrue interest per annum at the rate borne by the Notes, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

The Company shall pay the principal of and interest on this Note, if and so long as such Note is a Global Note, in immediately available funds to the Depository or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of any Notes (other than Notes that are

1 Include if a global note.
2 Include if a global note.
3 Include if a physical note.
4 Include if a global note.
5 Include if a physical note.

Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated the Trustee as its Paying Agent and Note Registrar in respect of the Notes and its agency in the continental United States as a place where Notes may be presented for payment or for registration of transfer and exchange.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into cash or shares of Common Stock or a combination of cash and shares of Common Stock, as applicable, on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be construed in accordance with and governed by the laws of the State of New York (without regard to the conflicts of laws provisions thereof).

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed manually or by facsimile by the Trustee or a duly authorized authenticating agent under the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

SYNAPTICS INCORPORATED

By: _____
Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee, certifies that this is one of the Notes described
in the within-named Indenture.

By: _____
Authorized Signatory

[FORM OF REVERSE OF NOTE]

SYNAPTICS INCORPORATED
0.50% Convertible Senior Note due 2022

This Note is one of a duly authorized issue of Notes of the Company, designated as its 0.50% Convertible Senior Notes due 2022 (the “**Notes**”), limited to the aggregate principal amount of \$525,000,000 all issued or to be issued under and pursuant to an Indenture dated as of June 26, 2017 (the “**Indenture**”), between the Company and Wells Fargo Bank, National Association (the “**Trustee**”), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. Capitalized terms used in this Note and not defined in this Note shall have the respective meanings set forth in the Indenture.

In case certain Events of Default shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make all payments and deliveries in respect of the Fundamental Change Repurchase Price on the Fundamental Change Repurchase Date and the principal amount on the Maturity Date, as the case may be, to the Holder who surrenders a Note to a Paying Agent to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Indenture and its consequences.

Each Holder shall have the right to receive payment or delivery, as the case may be, of (x) the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, (y) accrued and unpaid interest, if any, on, and (z) the consideration due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money or shares of Common Stock, as the case may be, herein prescribed.

The Notes are issuable in registered form without coupons in denominations of \$1,000 principal amount and integral multiples thereof. At the office or agency of the Company referred

to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer or similar tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

The Notes shall be redeemable at the Company's option on or after June 20, 2020 in accordance with the terms and subject to the conditions specified in the Indenture. No sinking fund is provided for the Notes.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of \$1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, during certain periods and upon the occurrence of certain conditions specified in the Indenture, prior to the close of business on the Business Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is \$1,000 or an integral multiple thereof, into cash or shares of Common Stock or a combination of cash and shares of Common Stock, as applicable, at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entirety

JT TEN = joint tenants with right of survivorship and not as tenants in common
Additional abbreviations may also be used though not in the above list.

SYNAPTICS INCORPORATED
2010 INCENTIVE COMPENSATION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

1. Grant of Option. SYNAPTICS INCORPORATED (the “Company”) hereby grants, as of the date of grant (“Date of Grant”) set forth in the attached Notice of Grant of Stock Options attached hereto and made a part hereof, to the person whose name is set forth in the Notice of Grant of Stock Options (the “Optionee”) an option (the “Option”) to purchase the total number of shares of the Company’s Common Stock (the “Shares”) set forth in the Notice of Grant of Stock Options, at the exercise price per share set forth in the Notice of Grant of Stock Options. The Option shall be subject to the terms and conditions set forth herein. The Option was issued pursuant to the Company’s 2010 Incentive Compensation Plan (the “Plan”), which is incorporated herein for all purposes. The Option is a nonqualified stock option, and not an Incentive Stock Option. The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and conditions hereof and thereof and all applicable laws and regulations.

2. Definitions. Unless otherwise provided herein, terms used herein that are defined in the Plan and not defined herein shall have the meanings attributed thereto in the Plan.

3. Exercise Schedule. Except as otherwise provided in Sections 6 or 8 of this Option Agreement, or in the Plan, the Option is exercisable in installments as provided in the Notice of Grant of Stock Options, which shall be cumulative. To the extent that the Option has become exercisable with respect to a percentage of Shares as provided in the Notice of Grant of Stock Options, the Option may thereafter be exercised by the Optionee, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein. The Notice of Grant of Stock Options table indicates each date (the “Vesting Date”) upon which the Optionee shall be entitled to exercise the Option with respect to the number of Shares granted as indicated beside the date, provided that the Continuous Service of the Optionee continues through and on the applicable Vesting Date. Except as otherwise specifically provided herein, there shall be no proportionate or partial vesting in the periods prior to each Vesting Date, and all vesting shall occur only on the appropriate Vesting Date. Upon the termination of an Optionee’s Continuous Service, any unvested portion of the Option shall terminate and be null and void.

4. Method of Exercise. The vested portion of this Option shall be exercisable in whole or in part in accordance with the exercise schedule set forth in the Notice of Grant of Stock Options by written notice, which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder’s investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the exercise price. This Option shall be deemed to be exercised after both (a) receipt by the Company of such written notice accompanied by the exercise price and (b) arrangements that are satisfactory to the Committee in its sole discretion have been made for Optionee’s payment to the Company of the amount that is necessary to be withheld in accordance with applicable Federal or state withholding requirements. No Shares will be issued pursuant to the Option unless and until such issuance and such exercise shall comply with all relevant provisions of applicable law, including the requirements of any stock exchange upon which the Shares then may be traded.

5. Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of the Optionee: (a) cash, (b) check, or (c) such other consideration or in such other manner as may be determined by the Committee in its absolute discretion.

6. Termination of Option.

(a) Any unexercised portion of the Option shall automatically and without notice terminate and become null and void at the time of the earliest to occur of:

- (i) three months after the date on which the Optionee's Continuous Service is terminated other than by reason of (A) Cause, (B) a mental or physical disability (within the meaning of Internal Revenue Code Section 22(e)) of the Optionee as determined by a medical doctor satisfactory to the Committee, or (C) the death of the Optionee;
 - (ii) immediately upon the termination of the Optionee's Continuous Service for Cause;
 - (iii) twelve months after the date on which the Optionee's Continuous Service is terminated by reason of a mental or physical disability (within the meaning of Section 22(e) of the Code) as determined by a medical doctor satisfactory to the Committee;
 - (iv) (A) twelve months after the date of termination of the Optionee's Continuous Service by reason of the death of the Optionee, or, if later, (B) three months after the date on which the Optionee shall die if such death shall occur during the one year period specified in Subsection 6(a)(iii) hereof; or
 - (v) the seventh anniversary of the date as of which the Option is granted.
- (b) To the extent not previously exercised, the Option shall terminate immediately in the event of the liquidation or dissolution of the Company.

7. Transferability

(a) General. Except as provided herein, the Optionee may not assign, sell, transfer, or otherwise encumber or subject to any lien any Award or other right or interest granted under this Plan, in whole or in part, including any Award or right which constitutes a derivative security as generally defined in Rule 16a-1(c) under the Securities Exchange Act of 1934, as amended, other than by will or by operation of the laws of descent and distribution, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Optionee only by the Optionee or his or her guardian or legal representative.

(b) Permitted Transfer of Option. The Committee, in its sole discretion, may permit the transfer of an Option granted under this Option Agreement as follows: (A) by gift to a member of the Optionee's Immediate Family or (B) by transfer by instrument to a trust providing that the Option is to be passed to beneficiaries upon death of the Optionee. For purposes of this Section 7(b), "Immediate Family" shall mean the Optionee's spouse (including a former spouse subject to terms of a domestic relations order), child, stepchild, grandchild, child-in-law; parent, stepparent, grandparent, parent-in-law; sibling, and sibling-in-law, and shall include adoptive relationships. If a determination is made by counsel for the Company that the restrictions contained in this Section 7(b) are not required by applicable federal or state securities laws under the circumstances, then the Committee, in its sole discretion, may permit the transfer of Options granted under this Option Agreement to one or more Beneficiaries or other transferees during the lifetime of the Optionee, which may be exercised by such transferees in accordance with the terms of this Option Agreement, but only if and to the extent permitted by the Committee pursuant to the express terms of this Option Agreement (subject to any terms and conditions which the Committee may impose thereon, and further subject to any prohibitions and restrictions on such transfers pursuant to Rule 16b-3). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Optionee shall be subject to all terms and conditions of the Plan and any Award agreement applicable to such Optionee, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

8. Acceleration of Exercisability of Option. In the event of a Change in Control, the successor or acquiring entity or an affiliate thereof may, with the consent of the Committee, assume the Option or substitute an equivalent cash or equity award or right (including an award or right that maintains the Option's intrinsic value, based on the per share consideration payable to stockholders of the Company in such Change in Control). If the successor or acquiring entity or an affiliate thereof does not cause such an assumption or substitution, then the Option will become fully vested and exercisable, effective as of and contingent on the consummation of the Change in Control. The Committee shall give written notice of the Change in Control referred to in this Section 8 a reasonable period of time prior to the closing date for such Change in Control (which notice may be given either before or after approval of such Change in Control), in order that the Optionee may have a reasonable period of time prior to the closing date of such Change in Control within which to exercise the Option if and to the extent that it then is exercisable (including any portion of the

Option that may become fully vested and exercisable upon the consummation of the Change in Control). The Optionee may condition his or her exercise of the Option upon the consummation of the Change in Control. In addition, the transaction agreement for such Change in Control may provide for the settlement of a vested and exercisable Option through a payment equal to the difference between the per share consideration payable to stockholders of the Company in such Change in Control and the exercise price of such Option, provided that if the exercise price of such Option is greater than such per share consideration, then the Option may be cancelled without any payment to the Optionee.

9. No Rights of Stockholders. Neither the Optionee nor any personal representative (or beneficiary) shall be, or shall have any of the rights and privileges of, a stockholder of the Company with respect to any shares of Stock purchasable or issuable upon the exercise of the Option, in whole or in part, prior to the date of exercise of the Option.

10. Market Stand-Off Agreement. At the request of the Company or the underwriters managing any underwritten offering of the Company's securities, the Optionee agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares of Stock (other than those included in the registration) acquired pursuant to the exercise of the Option, without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters.

11. No Right to Continued Employment. Neither the Option nor this Option Agreement shall confer upon the Optionee any right to continued employment or service with the Company.

12. Employment at Will. Optionee acknowledges and agrees that the vesting of shares pursuant to the Option granted is earned only by continuing employment or consultancy at the will of the Company (not through the act of being hired, being granted this Option or acquiring shares hereunder). Optionee further acknowledges and agrees that nothing in this Option Agreement, nor in the Plan, shall confer upon Optionee any right with respect to continuation of employment or consultancy by the Company, nor shall it interfere in any way with Optionee's right or the Company's right to terminate Optionee's employment or consultancy at any time, with or without Cause.

13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the state of Delaware without regard to the conflict-of-laws rules thereof or of any other jurisdiction.

14. Interpretation / Provisions of Plan Control. This Option Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan adopted by the Committee as may be in effect from time to time. If and to the extent that this Option Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Option Agreement shall be deemed to be modified accordingly. The Optionee accepts the Option subject to all the terms and provisions of the Plan and this Option Agreement. The undersigned Optionee hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee upon any questions arising under the Plan and this Option Agreement.

15. Notices. Any notice under this Option Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's Secretary at:

Synaptics Incorporated
1251 McKay Drive
San Jose, California 95131-1709

or if the Company should move its principal office, to such principal office, and, in the case of the Optionee, to the Optionee's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

16. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY

INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of Option. There may be a regular federal income tax liability upon the exercise of the Option. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the exercise price. If Optionee is an employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(b) Disposition of Shares. If Shares are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes.

The foregoing discussion assumes that, and only is applicable if, the fair market value of the Shares as of the date on which the Option is granted is not significantly less than the exercise price. The Company believes that it has made a good faith effort to determine the fair market value of the Shares and does not believe that the exercise price is significantly less than the fair market value of the Shares on the Date of Grant. No assurances can be given, however, that the Internal Revenue Service would not take a contrary position. It is possible that if the fair market value is determined to be significantly greater than the exercise price, the Internal Revenue Service may take the position that the Option is not in effect a stock option but should be treated as a restricted stock for tax purposes. The Optionee should consult with his or her own tax advisors as to whether any action should be taken to minimize these risks.

17. Execution. This Option Agreement is executed by the parties hereto on the Notice of Grant of Stock Options, which is attached hereto and made a part hereof.

SYNAPTICS INCORPORATED
2010 INCENTIVE COMPENSATION PLAN
DEFERRED STOCK UNIT AWARD AGREEMENT

Synaptics Incorporated (the "Company") wishes to grant to [NAME] (the "Participant") a Deferred Stock Unit Award (the "Award") pursuant to the provisions of the Company's 2010 Incentive Compensation Plan (the "Plan"). The Award will entitle the Participant to shares of Stock from the Company, if the Participant meets the vesting requirements described herein. Therefore, pursuant to the terms of the attached Notice of Grant ("Notice of Grant") and this Deferred Stock Unit Award Agreement (the "Agreement"), the Company grants the Participant the number of Deferred Stock Units listed below in Section 2.

The details of the Award are as follows:

1. Grant Pursuant to Plan. This Award is granted pursuant to the Plan, which is incorporated herein for all purposes. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and conditions of this Agreement and of the Plan. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, or, if such term is not defined in this Agreement, such term shall have the meaning assigned to it under the Plan.

2. Deferred Stock Unit Award. The Company hereby grants to the Participant [NUMBER OF DSUS] Deferred Stock Units as of [Grant Date] (the "Grant Date"). Such number of Deferred Stock Units may be adjusted from time to time pursuant to Section 10(c) of the Plan.

3. Vesting and Forfeiture of Deferred Stock Units.

(a) Vesting. The Participant shall become vested in the Deferred Stock Units in accordance with the vesting schedule in the Notice of Grant.

(b) Forfeiture. The Participant shall forfeit any unvested Deferred Stock Units, if any, in the event that the Participant's Continuous Service is terminated for any reason, except as otherwise determined by the Plan Administrator in its sole discretion, which determination need not be uniform as to all Participants.

4. Settlement of Deferred Stock Units Award.

(a) Delivery of Stock. The Company shall deliver to the Participant one share of Stock for each vested Deferred Stock Unit subject of this Agreement. Shares of Stock shall be delivered on the following dates:

[VESTING SCHEDULE]

(b) Once shares of Stock are delivered with respect to vested Deferred Stock Units, such vested Deferred Stock Units shall terminate and the Company shall have no further obligation to deliver shares of Stock for such vested Deferred Stock Units.

5. No Rights as Shareholder until Delivery. The Participant shall not have any rights, benefits, or entitlements with respect to any Stock subject to this Agreement unless and until the Stock has been delivered to the Participant. On or after delivery of the Stock, the Participant shall have, with respect to the Stock delivered, all of the rights of an equity interest holder of the Company, including the right to vote the Stock and the right to receive all dividends, if any, as may be declared on the Stock from time to time.

6. Adjustments in Case of a Change in Control. In the event of a Change in Control, the successor or acquiring entity or an affiliate thereof may, with the consent of the Committee, assume this Award or substitute an equivalent equity or cash award or right (including an award or right that is based on the per share consideration payable to stockholders of the Company in such Change in Control). If the successor or acquiring entity or an affiliate thereof does not cause such an assumption or substitution, then this Award shall become fully vested, and all applicable restrictions, deferrals of settlement or forfeiture provisions shall lapse, effective as of and contingent on the consummation of the Change in Control. Immediately prior to and contingent on the consummation of the Change in Control, the Company shall deliver shares of Stock in respect of the vested Deferred Stock Units (including Deferred Stock Units that accelerate as provided in the immediately preceding sentence) as of the date of the consummation of such Change in Control. In addition, the transaction agreement for such Change in Control may provide for the settlement of a vested Deferred Stock Unit through a payment equal to the per share consideration payable to stockholders of the Company in such Change in Control.

7. Tax Provisions.

(a) Tax Consequences. The Participant has reviewed with the Participant's own tax advisors the federal, state, local, and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) Withholding Obligations. At the time the Award is granted, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, including the shares of Stock deliverable pursuant to this Award, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local, and foreign tax withholding obligations of the Company or a Related Entity, if any, which arise in connection with the Award.

The Company, in its sole discretion, and in compliance with any applicable legal conditions or restrictions, may withhold from fully vested shares of Stock otherwise deliverable to the Participant upon the vesting of the Award a number of whole shares of Stock having a Fair Market Value, as determined by the Company as of the date the Participant recognizes income with respect to those shares of Stock, not in excess of the amount of tax required to be withheld by law (or such

lower amount as may be necessary to avoid adverse financial accounting treatment). Any adverse consequences to the Participant arising in connection with such Stock withholding procedure shall be the Participant's sole responsibility.

In addition, the Company, in its sole discretion, may establish a procedure whereby the Participant may make an irrevocable election to direct a broker (determined by the Company) to sell sufficient shares of Stock from the Award to cover the tax withholding obligations of the Company or any Related Entity and deliver such proceeds to the Company.

Unless the tax withholding obligations of the Company or any Related Entity are satisfied, the Company shall have no obligation to issue a certificate for such shares of Stock.

(c) Section 409A. This Award is intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance promulgated or issued thereunder ("Section 409A"). However, if the Company determines that the Award constitutes deferred compensation as determined under Section 409A, and if the Participant is a "specified employee" for purposes of Section 409A, then no distributions otherwise required to be made under this Agreement on account of the Participant's "separation from service", within the meaning under Section 409A, shall be made before the date that is six (6) months and one (1) day after the date of the Participant's "Separation from Service" or, if earlier, the date of the Participant's death. The Company agrees to cooperate with the Participant to amend this Agreement to the extent either the Company or the Participant deems necessary to avoid imposition of any additional tax or income recognition prior to actual payment to the Participant under Code Section 409A and any temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, but only to the extent such amendment would not have an adverse effect on the Company and would not provide the Participant with any additional rights, in each case as determined by the Company in its sole discretion.

8. Consideration. With respect to the value of the shares of Stock to be delivered pursuant to the Award, such shares of Stock are granted in consideration for the services the Participant shall provide to the Company during the vesting period.

9. Transferability. The Deferred Stock Units granted under this Agreement are not transferable otherwise than by will or under the applicable laws of descent and distribution. In addition, the Deferred Stock Units shall not be assigned, negotiated, pledged, or hypothecated in any way (whether by operation of law or otherwise), and the Deferred Stock Units shall not be subject to execution, attachment, or similar process.

10. General Provisions.

(a) Employment At Will. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in the service of the Company or its Related Entities for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Entity employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's service at any time for any reason, with or without cause.

(b) Notices. Any notice required to be given under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice at the address indicated below such party's signature line on this Agreement or at such other address as such party may designate by ten (10) days' advance written notice under this section to all other parties to this Agreement.

(c) No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation arrangements, and those arrangements may be either generally applicable or applicable only in specific cases.

(d) Severability. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or would disqualify this Agreement or the Award under any applicable law, that provision shall be construed or deemed amended to conform to applicable law (or if that provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the Award, that provision shall be stricken as to that jurisdiction and the remainder of this Agreement and the Award shall remain in full force and effect).

(e) No Trust or Fund Created. Neither this Agreement nor the grant of the Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Participant or any other person. The Deferred Stock Units subject to this Agreement represent only the Company's unfunded and unsecured promise to issue Stock to the Participant in the future. To the extent that the Participant or any other person acquires a right to receive payments from the Company pursuant to this Agreement, that right shall be no greater than the right of any unsecured general creditor of the Company.

(f) Cancellation of Award. If any Deferred Stock Units subject to this Agreement are forfeited, then from and after such time, the person from whom such Deferred Stock Units are forfeited shall no longer have any rights to such Deferred Stock Units or the corresponding shares of Stock. Such Deferred Stock Units shall be deemed forfeited in accordance with the applicable provisions hereof.

(g) Participant Undertaking. The Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the shares of Stock deliverable pursuant to the provisions of this Agreement.

(h) Amendment, Modification, and Entire Agreement. No provision of this Agreement may be modified, waived, or discharged unless that waiver, modification, or discharge is agreed to in writing and signed by the Participant and the Plan administrator. This Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement is made pursuant to the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan. In the event of a conflict between the Plan and this Agreement, the terms of the Plan shall govern. The Participant further acknowledges that as of

the Grant Date, this Agreement and the Plan set forth the entire understanding between the Participant and the Company regarding the acquisition of Stock pursuant to this Award and supersede all prior oral and written agreements on that subject with the exception of awards from the Company previously granted and delivered to the Participant. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

(i) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the state of Delaware without regard to the conflict-of-laws rules thereof or of any other jurisdiction.

(j) Interpretation. The Participant accepts this Award subject to all the terms and provisions of this Agreement and the terms and conditions of the Plan. The undersigned Participant hereby accepts as binding, conclusive, and final all decisions or interpretations of the Plan Administrator upon any questions arising under this Agreement.

(k) Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs, and legatees of Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms hereof. The Company may assign its rights and obligations under this Agreement, including, but not limited to, the forfeiture provision of Section 3(b) to any person or entity selected by the Board.

(l) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(m) Headings. Headings are given to the Sections and Subsections of this Agreement solely as a convenience to facilitate reference. The headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof.

11. Representations. The Participant acknowledges and agrees that the Participant has reviewed the Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting the Award, and fully understands all provisions of the Award.

12. Compliance with Section 409A.

(a) General. It is the intention of both the Company and the Participant that the benefits and rights to which the Participant could be entitled pursuant to this Agreement be exempt from Section 409A, and to the extent not so exempt, to comply with Section 409A, and the provisions of this Agreement shall be construed in a manner consistent with that intention.

(b) No Representations as to Section 409A Compliance. Notwithstanding the foregoing, the Company does not make any representation to the Participant that the Deferred Stock Units awarded pursuant to this Agreement are exempt from, or satisfy, the requirements of Section 409A, and the Company shall have no liability or other obligation to indemnify or hold

harmless the Participant or any Beneficiary for any tax, additional tax, interest or penalties that the Participant or any Beneficiary may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto is deemed to violate any of the requirements of Section 409A.

(c) No Acceleration of Payments. Neither the Company nor the Participant, individually or in combination, may accelerate any payment or benefit that is subject to Section 409A, except in compliance with Section 409A and the provisions of this Agreement, and no amount that is subject to Section 409A shall be paid prior to the earliest date on which it may be paid without violating Section 409A.

(d) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Section 409A to this Agreement, each separately identified amount to which the Participant is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

SYNAPTICS INCORPORATED

By:

Title:

PARTICIPANT

Address:

SYNAPTICS INCORPORATED
2010 INCENTIVE COMPENSATION PLAN
DEFERRED STOCK AWARD AGREEMENT FOR MARKET STOCK UNITS

Synaptics Incorporated (the “Company”) wishes to grant to [_____] (the “Participant”) a Deferred Stock Award (the “Award”) pursuant to the provisions of the Company’s 2010 Incentive Compensation Plan, as amended (the “Plan”). The Award will entitle the Participant to shares of Stock from the Company, if the Participant meets the vesting requirements described herein. Therefore, pursuant to the terms of the attached Notice of Grant (“Notice of Grant”) and this Deferred Stock Award Agreement (the “Agreement”), the Company grants the Participant the number of Deferred Stock Units listed below in Section 2.

The details of the Award are as follows:

1. Grant Pursuant to Plan. This Award is granted pursuant to the Plan, which is incorporated herein for all purposes. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and conditions of this Agreement and of the Plan. All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement, or, if such term is not defined in this Agreement, such term shall have the meaning assigned to it under the Plan.

2. Deferred Stock Award.

(a) Number of Deferred Stock Units. On [_____] (the “Grant Date”), the Company granted to the Participant a Target Number of Deferred Stock Units set forth below that may be earned based on the Payout Factor:

Target Number of Deferred Stock Units	[_____]
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The Target Number of Deferred Stock Units has been divided into the following three Tranches, each with a corresponding Performance Period with respect to which the Payout Factor will be determined.

Tranche	Target Number of Deferred Stock Units	Performance Period
Tranche One		
Tranche Two		
Tranche Three		

The total number of Deferred Stock Units shall be adjusted from time to time pursuant to Section 10(c) of the Plan.

(b) Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) “Beginning Company TSR” shall mean the average closing price for the Company’s common stock during the three (3) month period ending immediately prior to [_____], as reported in The Wall Street Journal.

(ii) “Beginning SOX TSR” shall mean the average closing price for the Philadelphia Semiconductor Index during the three (3) month period ending immediately prior to [_____], as reported in The Wall Street Journal.

(iii) “Change in Control” shall mean any of the following:

(A) a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, or if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, which serve similar purposes;

(B) the following individuals no longer constitute a majority of the members of the Board of Directors of the Company (the “Board”): (1) the individuals who, as of the date of this Agreement constitute the Board (the “Current Directors”); (2) the individuals who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of all of the Current Directors then still in office (such directors becoming “Additional Directors” immediately following their election); and (3) the individuals who are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of all of the Current Directors and Additional Directors then still in office (such directors also becoming “Additional Directors” immediately following their election);

(C) a tender offer or exchange offer is made whereby the effect of such offer is to take over and control the Company, and such offer is consummated for the equity securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding voting securities;

(D) upon the consummation of a transaction approved by the stockholders of the Company of a merger, consolidation, recapitalization, or reorganization of the Company, a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction that would result in more than 50% of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being beneficially owned by the holders of outstanding voting securities of the Company immediately prior to the transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction;

(E) upon the consummation of a transaction approved by the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets to another person, which is not a wholly owned subsidiary of the Company (i.e., 50% or more of the total assets of the Company); or

(F) any "person" (as that term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under that Act), directly or indirectly of more than 50% of the total voting power represented by the Company's then outstanding voting securities.

(iv) "Change in Control Deferred Stock Units" shall mean, with respect to each Tranche for which the applicable Vesting Date is after the effective date of a Change in Control, (A) the Target Number of Deferred Stock Units subject to such Tranche, multiplied by (B) the Payout Factor, multiplied by (C) a fraction, the numerator of which shall be the number of days that elapsed during the applicable Performance Period through the effective date of the Change in Control, and the denominator of which shall be the total number of days in the applicable Performance Period, and in the case of Tranche Three, less the number of Deferred Stock Units or Change in Control Deferred Stock Units that vested in Tranche One and Tranche Two.

(v) "Company TSR" shall mean (A) the Ending Company TSR minus the Beginning Company TSR divided by (B) the Beginning Company TSR, with the quotient expressed as a percentage.

(vi) "Determination Date" shall mean the last day of the applicable Performance Period, or, if earlier, the day immediately prior to the effective date of the Change in Control.

(vii) "Ending Company TSR" shall mean the average closing price for the Company's common stock during the three (3) month period ending on the last day of the Performance Period applicable to the Tranche for which the Payout Factor is being determined, as reported in The Wall Street Journal. However, if a Change in Control occurs prior to the last day of a Performance Period, the Ending Company TSR shall mean (A) the value of the consideration offered for a share of the Company's common stock in the Change in Control or (B) in the event that there is no consideration offered for a share of the Company's common stock in the Change in Control, the average closing price for the Company's common stock during the three (3) month period ending on the day immediately prior to the effective date of the Change in Control, as reported in The Wall Street Journal.

(viii) "Ending SOX TSR" shall mean the average closing price for the Philadelphia Semiconductor Index during the three (3) month period ending on the Determination Date, as reported in The Wall Street Journal.

(ix) "Good Cause" shall mean any one (1) or more of the following: (A) the Participant's willful, material, and irreparable breach of any employment, consulting, or change in control agreement between Participant and the Company or a Related Entity (a "Service

Agreement”); (B) the Participant’s gross negligence in the performance or intentional nonperformance (continuing for thirty (30) days after receipt of written notice of need to cure) of any of the Participant’s material duties and responsibilities to the Company; (C) the Participant’s willful dishonesty, fraud, or misconduct with respect to the business or affairs of the Company, which materially and adversely affects the operations or reputation of the Company; (D) the Participant’s indictment for, conviction of, or guilty plea to a felony crime involving dishonesty or moral turpitude whether or not relating to the Company; or (E) a confirmed positive illegal drug test result.

(x) “Good Reason” shall mean the occurrence of any of the following events without the Participant’s prior written approval: (A) the Participant is demoted by means of a material reduction in authority, responsibilities, or duties; (B) the Participant’s annual base salary for a fiscal year (“Base Salary”) is reduced to a level that is less than 90% of the Base Salary paid to the Participant during the prior fiscal year, or, the Participant’s Targeted Bonus is reduced to a level that is less than 90% of the Targeted Bonus for the Participant during the prior fiscal year; (C) the Participant is required to render his or her principal duties from a Company location that is more than fifty (50) miles from a Company location from which the Participant performs his or her principal duties at the earlier of the time the Participant entered into any Service Agreement or the date of this Agreement, in either case other than as has been previously contemplated by the Company and the Participant, and such relocation increases the Participant’s one way commute; or (D) the Company breaches a material provision of any Service Agreement.

(xi) “Non-Vested Deferred Stock Units” means, with respect to each Tranche for which the applicable Vesting Date is after the effective date of a Change in Control, the difference of (i) (A) the Target Number of Deferred Stock Units subject to such Tranche, multiplied by (B) the Payout Factor, minus (ii) the CIC Deferred Stock Units for such Tranche.

(xii) “Payout Factor” shall mean:

(A) For Tranche One and Tranche Two, 100% minus two (2) times the percentage, if any, by which the SOX TSR exceeds the Company TSR as of the Determination Date. If Company TSR exceeds SOX TSR as of the Determination Date, then the Payout Factor shall be 100%.

(B) For Tranche Three, 100% (x) plus the percentage by which the Company TSR exceeds the SOX TSR, multiplied by two (2), if the Company TSR exceeds the SOX TSR or (y) minus the percentage by which the SOX TSR exceeds the Company TSR, multiplied by two (2), if the SOX TSR exceeds the Company TSR, as of the Determination Date.

In no event, however, shall the Payout Factor be less than 0% or greater than 200%.

(xiii) “SOX TSR” shall mean (A) the Ending SOX TSR minus the Beginning SOX TSR divided by (B) the Beginning SOX TSR, with the quotient expressed as a percentage.

(xiv) “Targeted Bonus” shall mean, for each fiscal year of the Company, either (i) a bonus program in which the Participant shall be entitled to participate, which provides

the Participant with a reasonable opportunity, based on the past compensation practices of the Company and the Participant's then base salary, to maintain or increase the Participant's total compensation compared to the previous fiscal year or (ii) a targeted bonus based on such factors as the Board may determine.

(xv) "Vested Deferred Stock Units" means the portion of the Deferred Stock Units subject to this Agreement that become vested on the applicable Vesting Date set forth in Section 3 below.

3. Vesting and Forfeiture of Deferred Stock Units.

(a) Vesting. As of each Determination Date, the Company shall determine the Payout Factor for the applicable Performance Period.

For Tranche One and Tranche Two, the Company shall multiply the Payout Factor by the Target Number of Deferred Stock Units subject to the Tranche, and the resulting number of Deferred Stock Units shall vest in full on the Vesting Date set forth below for that Tranche, in each case, subject to the Participant's Continuous Service on the Vesting Date.

For Tranche Three, the Company shall multiply the Payout Factor by the Target Number of Deferred Stock Units subject to Tranche Three and then subtract the number of Deferred Stock Units that vested in Tranche One and Tranche Two. The resulting number of Deferred Stock Units shall vest in full on the Vesting Date set forth below for Tranche Three, subject to the Participant's Continuous Service on the Vesting Date.

<u>Tranche</u>	<u>Vesting Date</u>
Tranche One	[]
Tranche Two	[]
Tranche Three	[]

There shall be no proportionate or partial vesting of Deferred Stock Units in or during the months, days, or periods prior to each Vesting Date, and except as otherwise provided in Sections 3(b), 3(c), or 3(d) hereof, all vesting of Deferred Stock Units shall occur only on the applicable Vesting Date.

(b) Acceleration of Vesting Upon a Change in Control. In the event that during the Participant's Continuous Service, a Change in Control occurs prior to the last day of a Performance Period, the Change in Control Deferred Stock Units shall become immediately vested as of the effective date of the Change in Control and all Performance Periods shall be deemed completed. After giving effect to the preceding sentence, any Non-Vested Deferred Stock Units with respect to each Tranche shall remain outstanding and will vest thereafter on the applicable Vesting Date for such Tranche, subject to the Participant's Continuous Service on such Vesting Date.

(c) Treatment of Non-Vested Deferred Stock Units Upon a Change in Control. The successor or acquiring entity or an affiliate thereof in a Change in Control may, with the consent of the Committee, assume the Non-Vested Deferred Stock Units or substitute an equivalent equity or cash award or right (including an award or right that is based on the per share consideration payable to stockholders of the Company in such Change in Control). If the successor or acquiring entity or an affiliate thereof does not cause such an assumption or substitution, then the Non-Vested Deferred Stock Units shall become fully vested, and all applicable restrictions, deferrals of settlement or forfeiture provisions shall lapse, effective as of and contingent on the consummation of the Change in Control. Immediately prior to and contingent on the consummation of the Change in Control, the Company shall deliver shares of Stock in respect of such accelerated Non-Vested Deferred Stock Units (as provided in the immediately preceding sentence) as of the date of the consummation of such Change in Control. In addition, the transaction agreement for such Change in Control may provide for the settlement of a Non-Vested Deferred Stock Unit through a payment equal to the per share consideration payable to stockholders of the Company in such Change in Control.

(d) Acceleration of Vesting Upon Termination. Notwithstanding any other term or provision of this Agreement, in the event that the Participant's Continuous Service is terminated either by the Company without Good Cause or by the Participant for Good Reason during the eighteen (18) month period immediately following a Change in Control, all Non-Vested Deferred Stock Units subject to this Agreement shall become immediately vested as of the date of the termination of the Participant's Continuous Service.

(e) Acceleration of Vesting at Committee's Discretion. Notwithstanding any other term or provision of this Agreement, the Committee shall be authorized, in its sole discretion, based upon its review and evaluation of the performance of the Participant and of the Company, to accelerate the vesting of any Non-Vested Deferred Stock Units subject to this Agreement, at such times and upon such terms and conditions as the Committee shall deem advisable.

(f) Forfeiture. If the Participant's Continuous Service is terminated for any reason, any Deferred Stock Units that are not Vested Deferred Stock Units, and that do not become Vested Deferred Stock Units pursuant to this Section 3, shall be forfeited immediately upon such termination of Continuous Service without any payment to the Participant. The Committee shall have the power and authority to enforce on behalf of the Company any rights of the Company under this Agreement in the event of the Participant's forfeiture of Non-Vested Deferred Stock Units pursuant to this Section 3.

4. Settlement of Deferred Stock Units Award.

(a) Delivery of Stock. The Company shall deliver to the Participant one (1) share of Stock for each Vested Deferred Stock Unit subject of this Agreement (or, in the event there are no longer shares of Stock, in lieu of such Stock, the equivalent value of the stock or other securities of a successor or acquiring entity or cash to which the Participant would have been entitled to receive for such Stock). Shares of Stock (or the equivalent value of the stock or other securities of a successor or acquiring entity or cash) corresponding to the Vested Deferred Stock Units shall be delivered within thirty (30) days after the applicable Vesting Date of the Vested Deferred Stock Units; provided, however, that shares of Stock corresponding to the Change in

Control Deferred Stock Units that vest on account of a Change in Control shall be delivered immediately prior to the consummation of the transaction constituting a Change in Control.

(b) Once shares of Stock are delivered with respect to Vested Deferred Stock Units, such Vested Deferred Stock Units shall terminate and the Company shall have no further obligation to deliver shares of Stock for such Vested Deferred Stock Units.

(c) Distribution to Specified Employees. This Award is intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance promulgated or issued thereunder ("Section 409A"). However, if the Company determines that the Award constitutes deferred compensation as determined under Section 409A, and if the Participant is a "specified employee" for purposes of Section 409A, then no distributions otherwise required to be made under this Agreement on account of the Participant's "separation from service", within the meaning under Section 409A, shall be made before the date that is six (6) months and one (1) day after the date of the Participant's "Separation from Service" or, if earlier, the date of the Participant's death.

5. Rights with Respect to Deferred Stock Units.

(a) No Rights as Shareholder until Delivery. The Participant shall not have any rights, benefits, or entitlements with respect to any Stock subject to this Agreement unless and until the Stock has been delivered to the Participant. On or after delivery of the Stock, the Participant shall have, with respect to the Stock delivered, all of the rights of an equity interest holder of the Company, including the right to vote the Stock and the right to receive all dividends, if any, as may be declared on the Stock from time to time.

(b) No Restriction on Certain Transactions. Notwithstanding any term or provision of this Agreement to the contrary, the existence of this Agreement, or of any outstanding Deferred Stock Units awarded hereunder, shall not affect in any manner the right, power, or authority of the Company or any Related Entity to make, authorize, or consummate: (i) any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's or any Related Entity's capital structure or its business; (ii) any merger, consolidation, or similar transaction by or of the Company or any Related Entity; (iii) any offer, issue, or sale by the Company or any Related Entity of any capital stock of the Company or any Related Entity, including any equity or debt securities, or preferred or preference stock that would rank prior to or on parity with the shares of Stock represented by the Deferred Stock Units and/or that would include, have or possess other rights, benefits, and/or preferences superior to those that such shares of Stock includes, has or possesses, or any warrants, options, or rights with respect to any of the foregoing; (iv) the dissolution or liquidation of the Company or any Related Entity; (v) any sale, transfer, or assignment of all or any part of the stock, assets, or business of the Company or any Related Entity; or (vi) any other corporate transaction, act, or proceeding (whether of a similar character or otherwise).

6. Adjustments in Case of Certain Corporate Transactions. In the event of any reorganization, merger, consolidation, or other form of corporate transaction that does not constitute a Change in Control in which the Company does not survive, or that does not constitute a Change in Control in which the shares of Stock are exchanged for or converted into securities

issued by another entity, then the successor or acquiring entity or an affiliate thereof may, with the consent of the Committee, assume this Award or substitute an equivalent award. If the successor or acquiring entity or an affiliate thereof does not cause such an assumption or substitution, then immediately prior to and contingent on the consummation of a corporate transaction as described in this Section 6, the Company shall treat such corporate transaction as a Change in Control for purposes of this Agreement, including accelerating vesting and settlement of any Non-Vested Deferred Stock Units pursuant to Sections 3(b) and 4(a) hereof.

7. Tax Provisions.

(a) Tax Consequences. The Participant has reviewed with the Participant's own tax advisors the federal, state, local, and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) Withholding Obligations. At the time the Award is granted, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, including the shares of Stock deliverable pursuant to this Award, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local, and foreign tax withholding obligations of the Company or a Related Entity, if any, which arise in connection with the Award.

The Company, in compliance with any applicable legal conditions or restrictions, shall withhold from fully vested shares of Stock otherwise deliverable to the Participant upon the vesting of the Award a number of whole shares of Stock having a Fair Market Value, as determined by the Company as of the date the Participant recognizes income with respect to those shares of Stock, not in excess of the amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid adverse financial accounting treatment). Any adverse consequences to the Participant arising in connection with such Stock withholding procedure shall be the Participant's sole responsibility.

Unless the tax withholding obligations of the Company or any Related Entity are satisfied, the Company shall have no obligation to issue a certificate for such shares of Stock.

8. Consideration. With respect to the value of the shares of Stock to be delivered pursuant to the Award, such shares of Stock are granted in consideration for the services the Participant shall provide to the Company during the Participant's Continuous Service.

9. Transferability. The Deferred Stock Units granted under this Agreement are not transferable otherwise than by will or under the applicable laws of descent and distribution. In addition, the Deferred Stock Units shall not be assigned, negotiated, pledged, or hypothecated in any way (whether by operation of law or otherwise), and the Deferred Stock Units shall not be subject to execution, attachment, or similar process.

(a) Employment At Will. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in the service of the Company or its Related Entities for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Entity employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's service at any time for any reason, with or without cause.

(b) Notices. Any notice required to be given under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice at the address indicated below such party's signature line on this Agreement or at such other address as such party may designate by ten (10) days' advance written notice under this section to all other parties to this Agreement.

(c) No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation arrangements, and those arrangements may be either generally applicable or applicable only in specific cases.

(d) Severability. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or would disqualify this Agreement or the Award under any applicable law, that provision shall be construed or deemed amended to conform to applicable law (or if that provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and the Award, that provision shall be stricken as to that jurisdiction and the remainder of this Agreement and the Award shall remain in full force and effect).

(e) No Trust or Fund Created. Neither this Agreement nor the grant of the Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Participant or any other person. The Deferred Stock Units subject to this Agreement represent only the Company's unfunded and unsecured promise to issue Stock to the Participant in the future. To the extent that the Participant or any other person acquires a right to receive payments from the Company pursuant to this Agreement, that right shall be no greater than the right of any unsecured general creditor of the Company.

(f) Cancellation of Award. If any Deferred Stock Units subject to this Agreement are forfeited, then from and after such time, the person from whom such Deferred Stock Units are forfeited shall no longer have any rights to such Deferred Stock Units or the corresponding shares of Stock. Such Deferred Stock Units shall be deemed forfeited in accordance with the applicable provisions hereof.

(g) Participant Undertaking. The Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed

on either the Participant or the shares of Stock deliverable pursuant to the provisions of this Agreement.

(h) Amendment, Modification, and Entire Agreement. No provision of this Agreement may be modified, waived, or discharged unless that waiver, modification, or discharge is agreed to in writing and signed by the Participant and the Committee. This Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement is made pursuant to the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan. In the event of a conflict between the Plan and this Agreement, the terms of the Plan shall govern. The Participant further acknowledges that as of the Grant Date, this Agreement and the Plan set forth the entire understanding between the Participant and the Company regarding the acquisition of Stock pursuant to this Award and supersede all prior oral and written agreements on that subject with the exception of awards from the Company previously granted and delivered to the Participant. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

(i) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the state of Delaware without regard to the conflict-of-laws rules thereof or of any other jurisdiction.

(j) Interpretation. The Participant accepts this Award subject to all the terms and provisions of this Agreement and the terms and conditions of the Plan. The undersigned Participant hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee upon any questions arising under this Agreement.

(k) Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs, and legatees of Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms hereof. The Company may assign its rights and obligations under this Agreement, including, but not limited to, the forfeiture provision of Section 3(e) hereof to any person or entity selected by the Committee.

(l) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(m) Headings. Headings are given to the Sections and Subsections of this Agreement solely as a convenience to facilitate reference. The headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof.

(n) Non-Waiver of Breach. The waiver by any party hereto of the other party's prompt and complete performance, or breach or violation, of any term or provision of this Agreement shall be effected solely in a writing signed by such party, and shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any party hereto to

exercise any right or remedy which he, she, or it may possess shall not operate nor be construed as the waiver of such right or remedy by such party, or as a bar to the exercise of such right or remedy by such party, upon the occurrence of any subsequent breach or violation.

(o) Complete Agreement. This Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way. No provision of any employment, consulting, change in control, or other agreement, policy, practice, or arrangement, whether written or unwritten, as may be amended or modified from time to time, shall apply to or in any way modify or amend this Agreement.

11. Representations. The Participant acknowledges and agrees that the Participant has reviewed the Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting the Award, and fully understands all provisions of the Award.

12. Compliance with Section 409A.

(a) General. It is the intention of both the Company and the Participant that the benefits and rights to which the Participant could be entitled pursuant to this Agreement be exempt from Section 409A, and to the extent not so exempt, to comply with Section 409A, and the provisions of this Agreement shall be construed in a manner consistent with that intention.

(b) No Representations as to Section 409A Compliance. Notwithstanding the foregoing, the Company does not make any representation to the Participant that the Deferred Stock Units awarded pursuant to this Agreement are exempt from, or satisfy, the requirements of Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Participant or any Beneficiary for any tax, additional tax, interest or penalties that the Participant or any Beneficiary may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto is deemed to violate any of the requirements of Section 409A.

(c) No Acceleration of Payments. Neither the Company nor the Participant, individually or in combination, may accelerate any payment or benefit that is subject to Section 409A, except in compliance with Section 409A and the provisions of this Agreement, and no amount that is subject to Section 409A shall be paid prior to the earliest date on which it may be paid without violating Section 409A.

(d) Treatment of Each Installment as a Separate Payment. For purposes of applying the provisions of Section 409A to this Agreement, each separately identified amount to which the Participant is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

SYNAPTICS INCORPORATED

By:

Title:

PARTICIPANT

Address:

List of Subsidiaries

NAME	STATE OR JURISDICTION OF ORGANIZATION
Synaptics Japan GK	Japan
Synaptics Holding GmbH	Switzerland
Synaptics Hong Kong Limited	Hong Kong
Synaptics LLC	Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Synaptics Incorporated:

We consent to incorporation by reference in the registration statements (Nos. 333-81820, 333-99529, 333-99531, 333-146146, 333-170400, 333-170401, 333-193470, and 333-214950) on Form S-8, (No. 333-155582) on Form S-3, and (No. 333-115274) on Form S-4 of Synaptics Incorporated (the Company) of our report dated August 18, 2017, with respect to the consolidated balance sheets of Synaptics Incorporated as of June 24, 2017 and June 25, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 24, 2017, and the effectiveness of internal control over financial reporting as of June 24, 2017, which report appears in the June 24, 2017 annual report on Form 10-K of Synaptics Incorporated.

/S/ KPMG LLP

Santa Clara, California
August 18, 2017

**Certification of Chief Executive Officer Pursuant to
Rule 13a-14(a)/15d-14(a)**

I, Richard A. Bergman, certify that:

1. I have reviewed this annual report on Form 10-K of Synaptics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2017

/s/ Richard A. Bergman

Richard A. Bergman
Chief Executive Officer

**Certification of Chief Financial Officer Pursuant to
Rule 13a-14(a)/15d-14(a)**

I, Wajid Ali, certify that:

1. I have reviewed this annual report on Form 10-K of Synaptics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2017

/s/ Wajid Ali

Wajid Ali

Chief Financial Officer

Section 1350 Certification of Chief Executive Officer

In connection with the Annual Report on Form 10-K of Synaptics Incorporated (the "Company") for the year ended June 24, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard A. Bergman, President and Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard A. Bergman

Richard A. Bergman
Chief Executive Officer
August 18, 2017

Section 1350 Certification of Chief Financial Officer

In connection with the Annual Report on Form 10-K of Synaptics Incorporated (the "Company") for the year ended June 24, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wajid Ali, Senior Vice President and Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wajid Ali

Wajid Ali
Chief Financial Officer
August 18, 2017