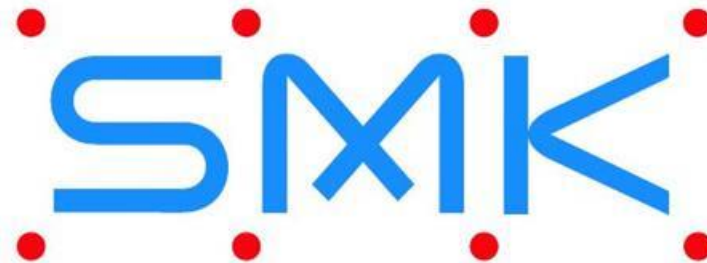


Business Report for FY2016



FY2016

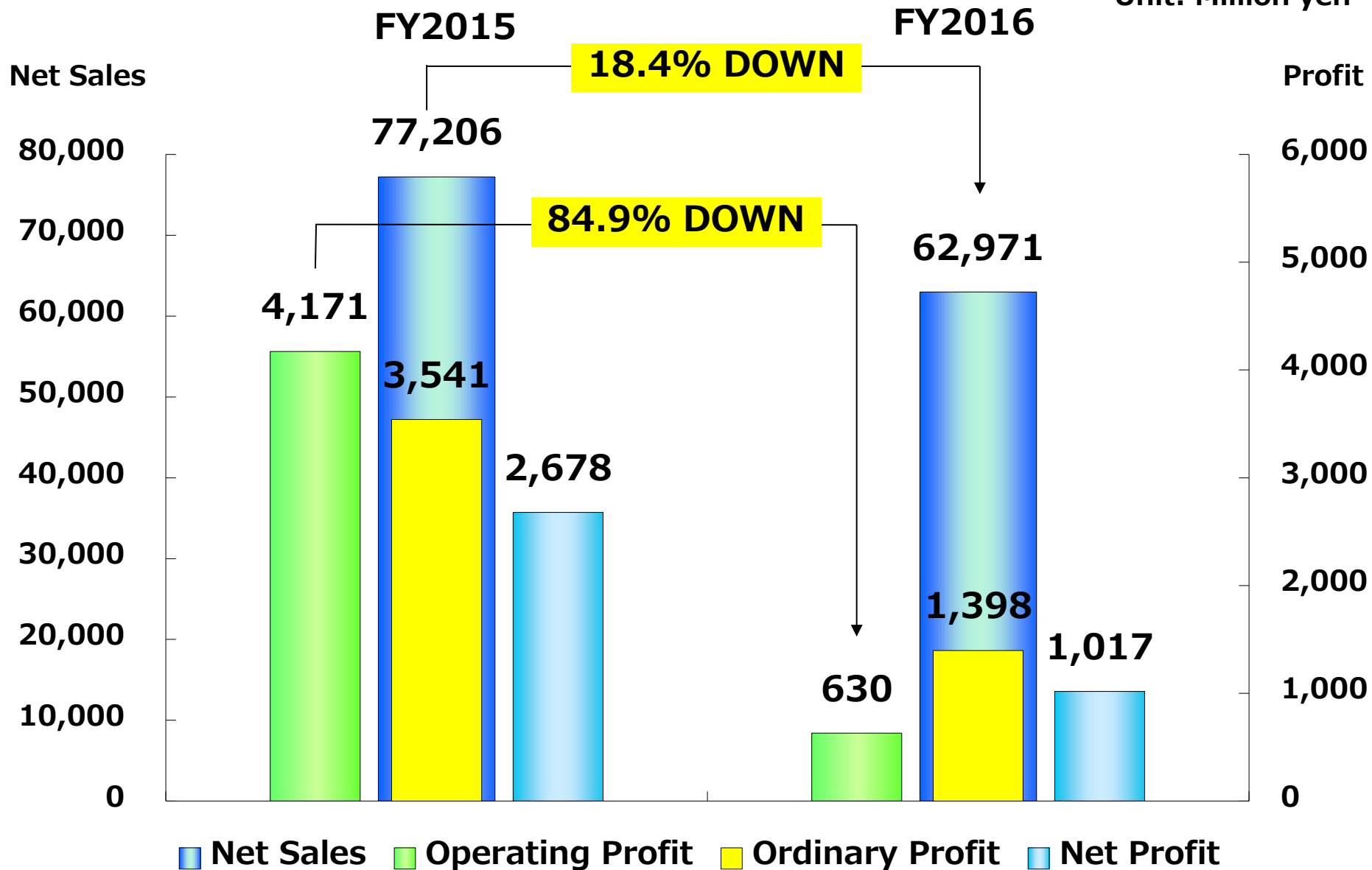
Outline of Financial Statement

Executive Vice President and CFO

KOHEI OHGAKI

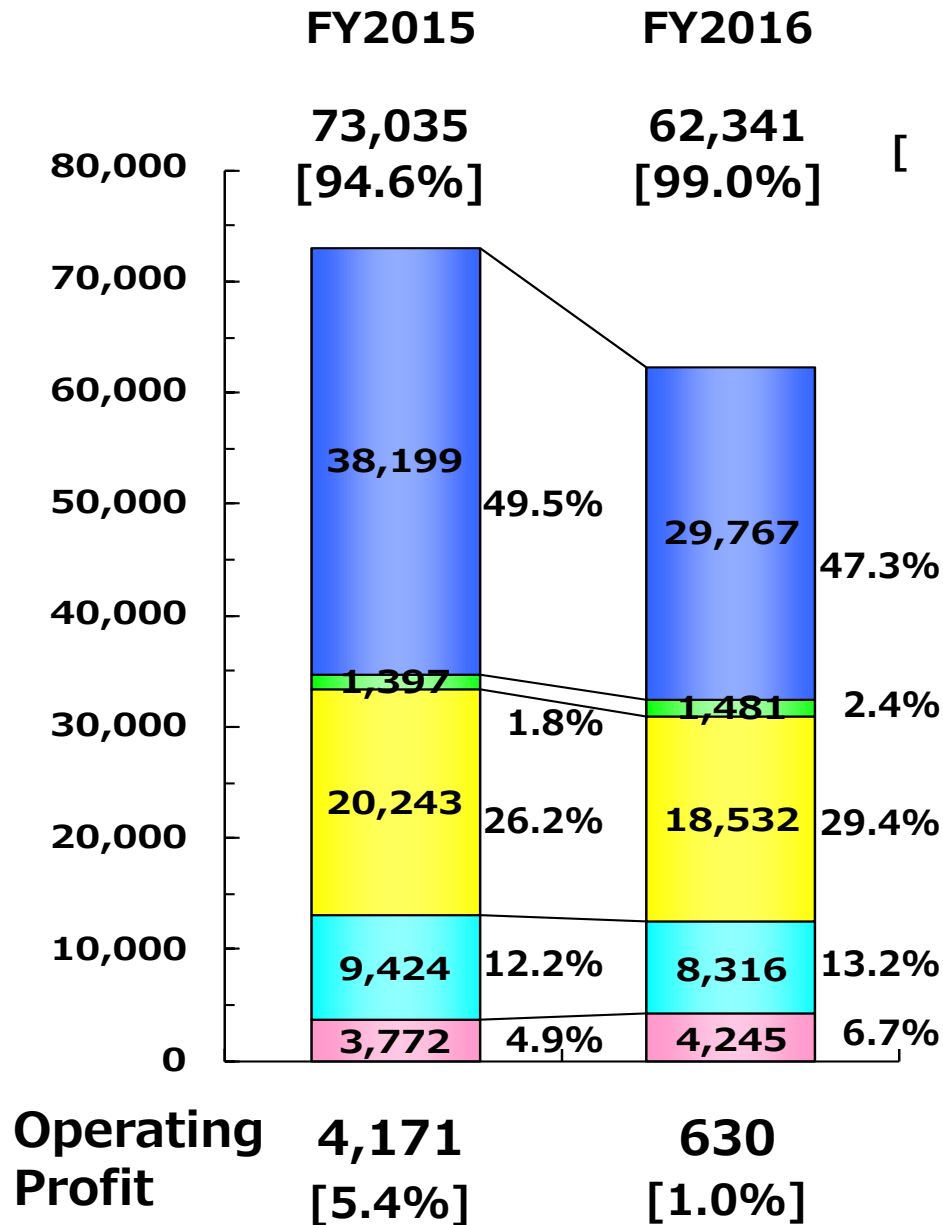
<Consolidated> Financial Results

Unit: Million yen



<Consolidated> Operating Expenses

Unit: Million yen



[]: Sales Ratio

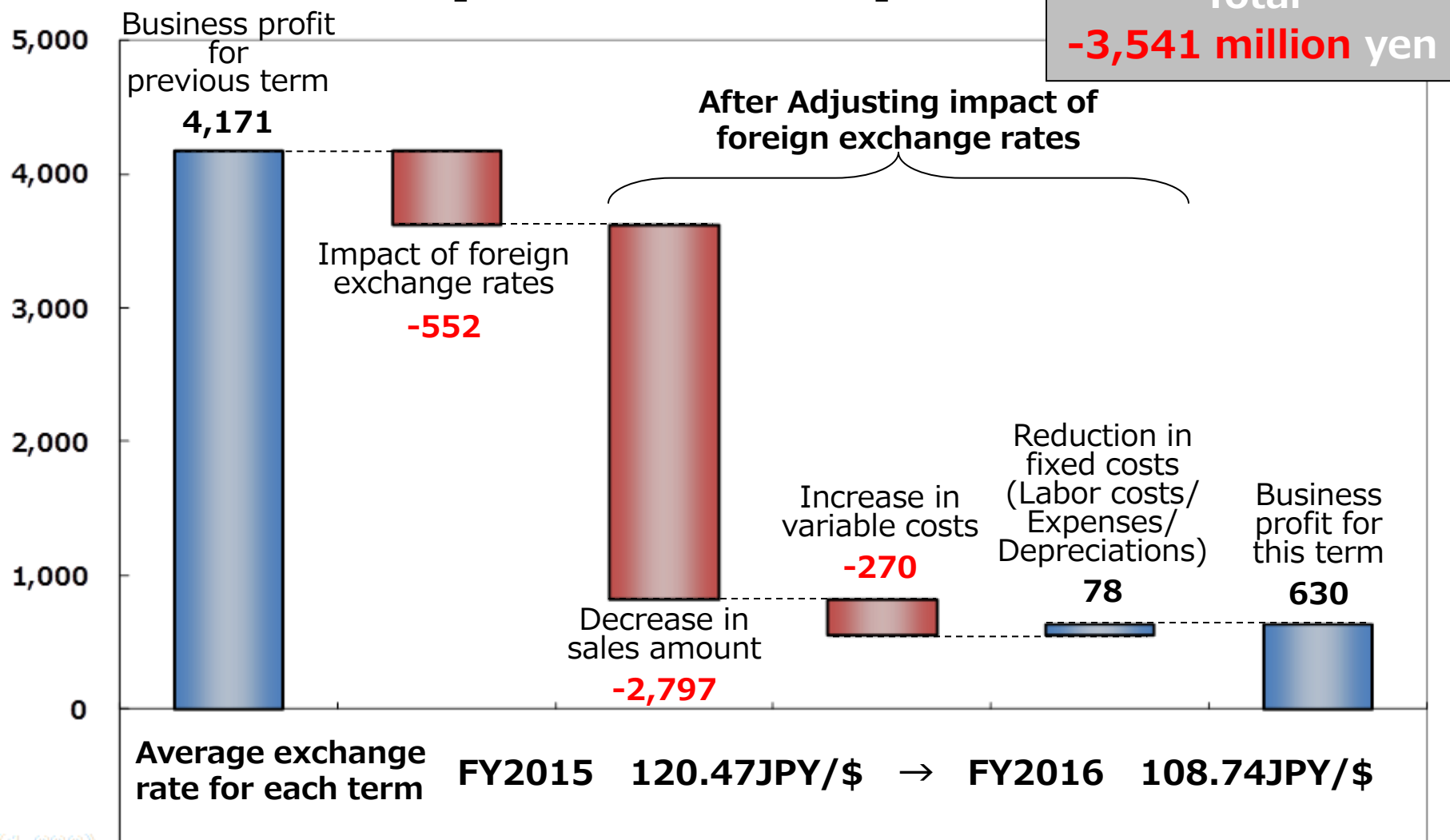
- Material costs
- Amount paid to subcontractors
- Labor costs
- Expenses
- Depreciations

- Improvement by 1.6%
in ratio of Material costs &
Amount paid to subcontractors
51.3% → 49.7%
(The ratio of Material costs
decreased due to the model mix)
- Raise by 4.2%
in ratio of Labor costs & Expenses
38.4% → 42.6%
(Due to the reduction in sales)

<Consolidated> Analysis of Sales Expenses

Unit: Million yen

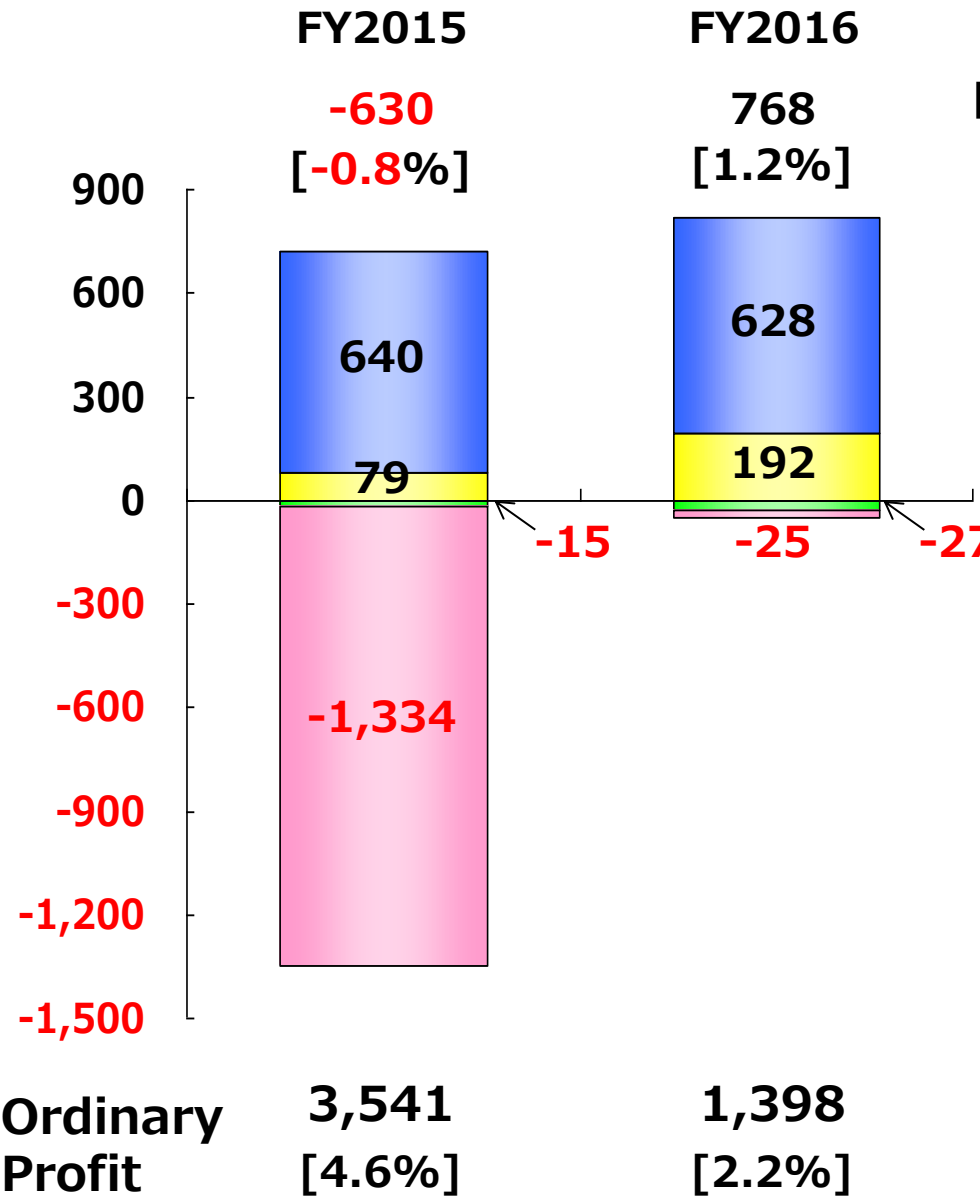
Analysis of factors for increase/decrease Of consolidated operating profit [FY2015 vs FY2016]



<Consolidated> Non-operating Profit and Loss

Unit: Million yen

[]: Percentage to sales amount



- Currency exchange profit/loss
- Revenues from and expenditure to fixed assets
- Financial account balance
- Others

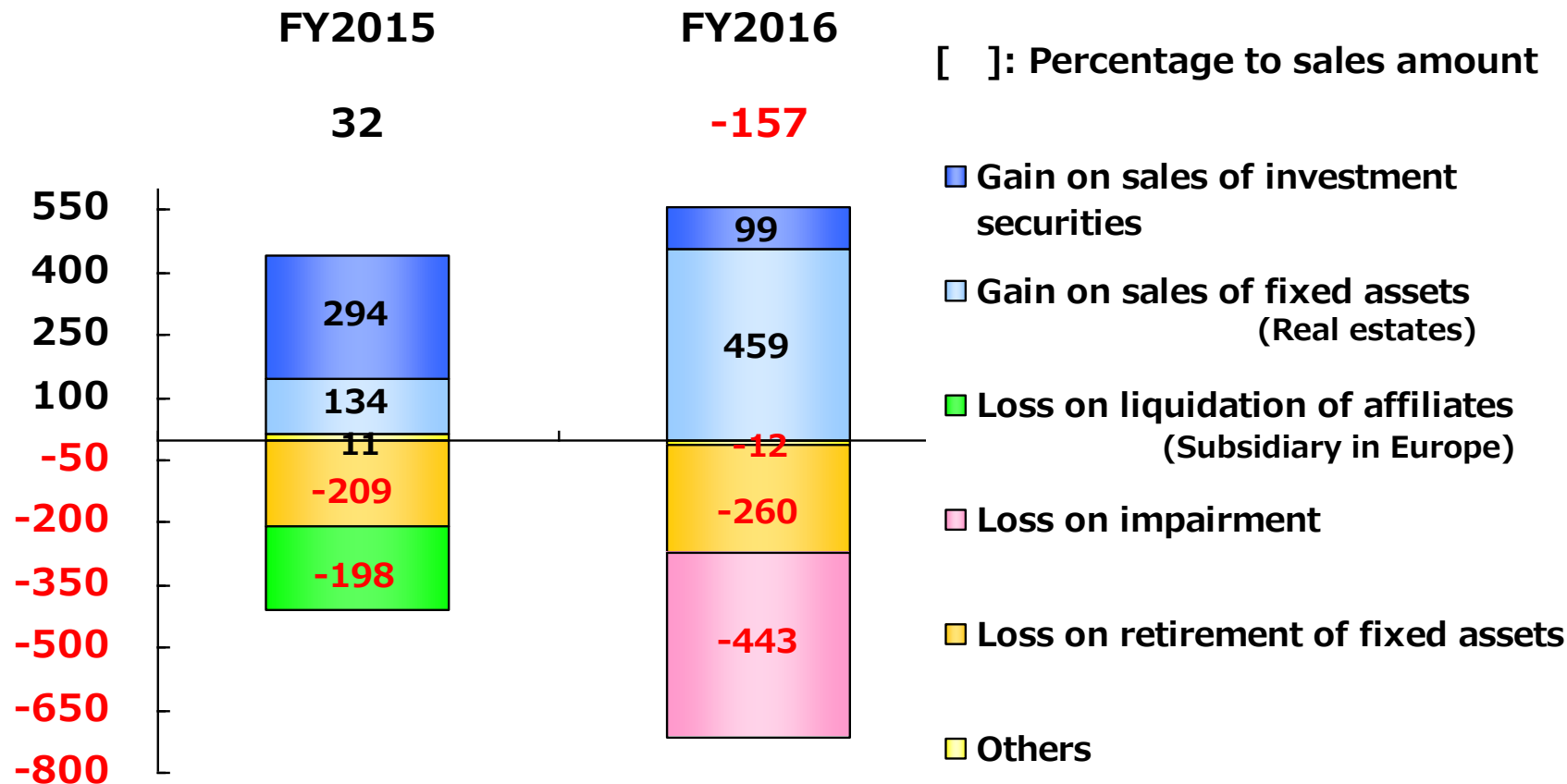
Currency exchange loss decreased 1,309 million yen

1. FY2015
 - Mar. 2015 120.17JPY/\$
 - Mar. 2016 112.68JPY/\$
 - Yen strengthened by 7.49 yen
2. FY2016
 - Mar. 2016 112.68JPY/\$
 - Mar. 2017 112.19JPY/\$
 - Yen strengthened by 0.49 yen

<Consolidated> Extraordinary Profit and Loss

Unit: Million yen

[]: Percentage to sales amount



Profit (loss)
before taxes

3,573

1,241

Net Profit

2,678

1,017

[3.5%]

[1.6%]

<Consolidated> Segment Information

Unit: Million yen

FY2016

	Reporting Segment				Others*	TOTAL
	CS Div.	FC Div.	TP Div.	Total		
Set Sales	23,539	27,238	11,931	62,708	263	62,971
Operating Profit (Loss)	1,919	(786)	113	1,246	(616)	630

FY2015

	Reporting Segment				Others*	TOTAL
	CS Div.	FC Div.	TP Div.	Total		
Net Sales	27,095	35,449	14,467	77,011	195	77,206
Operating Profit (Loss)	2,215	370	1,838	4,423	(252)	4,171

*Others: research and development, lease, real-estate rental, factoring

<Consolidated> Cash Position

Unit: Million yen

	Mar. 2016 (A)	Mar. 2017 (B)	Differential (B - A)
Assets	67,606	62,318	(5,287)
Cash and cash equivalents	10,778	10,117	(660)
Accounts receivable	16,509	14,853	(1,656)
Inventories	7,187	7,199	12
Fixed assets	29,237	28,044	(1,193)
Liabilities	34,318	30,999	(3,318)
Accounts payable and accrued expenses	11,053	7,526	(3,527)
Interest-bearing debt	17,546	18,447	901
Net assets	33,287	31,318	(1,969)
Common stock	7,996	7,996	-
Capital adequacy ratio	48.8%	50.2%	1.4%

<Consolidated> Cash Flow Position

Unit: Million yen

	FY2015	FY2016
Cash flow from operating activities	6,211	4,604
Working capital	(58)	59
Profit before taxes	3,573	1,241
Depreciation	3,970	4,381
Others	(1,274)	(1,077)
Cash flow from investing activities	(7,182)	(3,465)
Free cash flow	(970)	1,139
Cash flow from financing activities	1,636	(1,541)
Increase in interest-bearing debt	3,294	901
Increase (decrease) in treasury stock	(948)	(1,553)
Proceeds from non-controlling interests	352	—
Dividends paid	(1,062)	(889)
Initial balance	9,999	10,668
Final balance	10,668	10,011

Financial Forecast and Annual Dividend

%: Increase (decrease)
ratio to previous term

(1) Forecast of consolidated operating results

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	62,971	(18.4)	630	(84.9)	1,398	(60.5)	1,017	(62.0)
FY2017 Forecast	65,500	4.0	2,200	249.0	2,800	100.2	1,900	86.8

(2) Annual Dividend

	At second quarter end	At fiscal year end	Annual
FY2016	5.00 yen	5.00 yen	10.00 yen
FY2017 Forecast	4.00 yen	4.00 yen	8.00 yen

FY2016 Result and FY2017 Prospect

**President, CEO and COO
YASUMITSU IKEDA**

SMK Executive Appointment <June 22, 2017>

12/20

1. Change of Representative Director

<Promoting> Yoshiyuki Kaku: Director and Executive
Deputy President, CTO

<Resigning> Yoshio Sakurai: Senior Adviser
(Post after resigning as director)

2. New Director

<New> Kaoru Ishikawa: Outside Director

3. New Vice Presidents

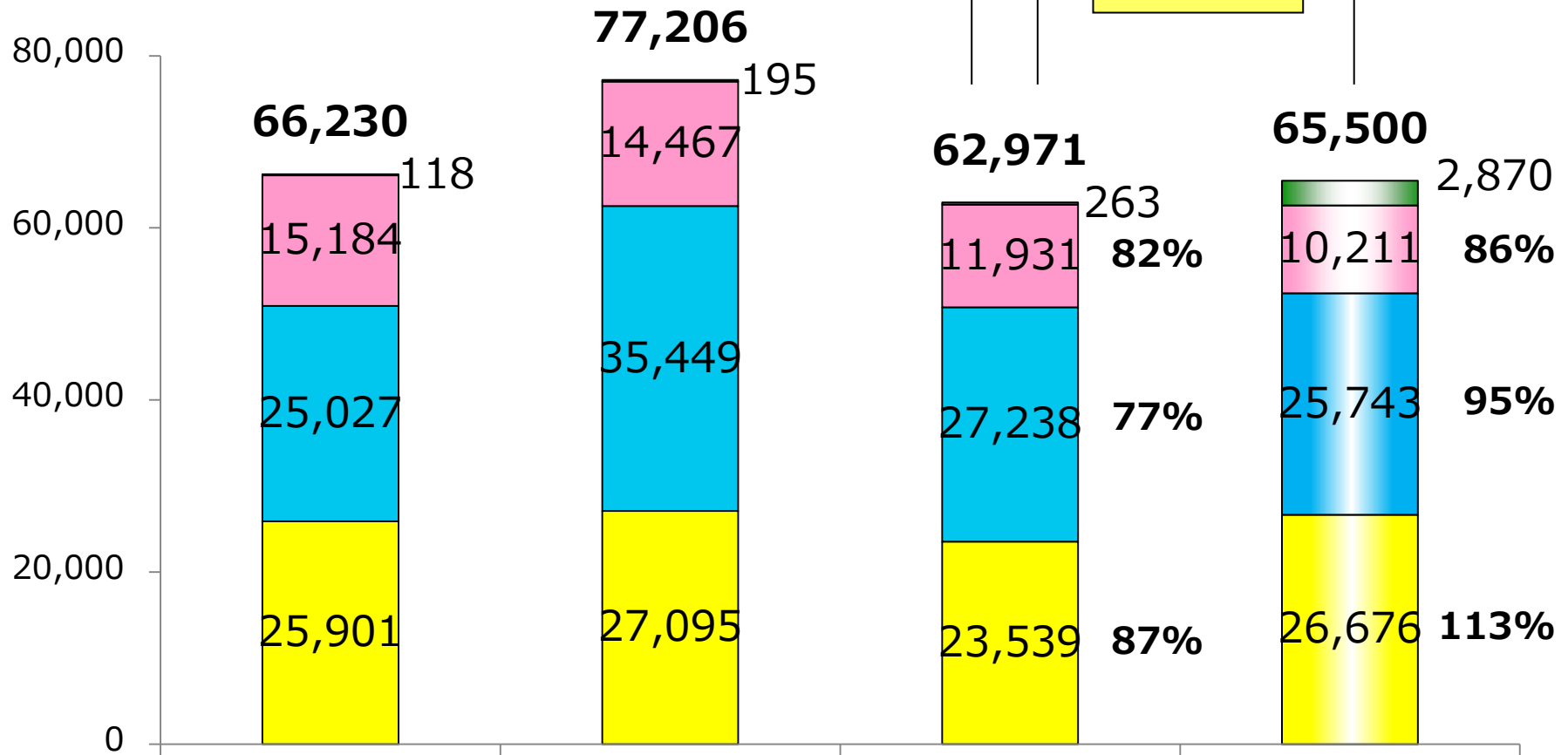
Atsushi Obinata: In charge of TN TP Division,
Senior General Manager of TP Division

Fumikazu Hata: In charge of Sales for China Area Business
Managing Director of SMK Electronics Trading
Shanghai Co., Ltd.
and SMK Electronics INT'L Trading Shanghai Co., Ltd.

Net Sales by Product Div. (FY2014-FY2017)

Unit: Million yen

%: Compared to previous term



FY2014 Result

FY2015 Result

FY2016 Result

FY2017 Plan

Exchange rate

1USD=109.90JPY

120.47JPY

108.74JPY

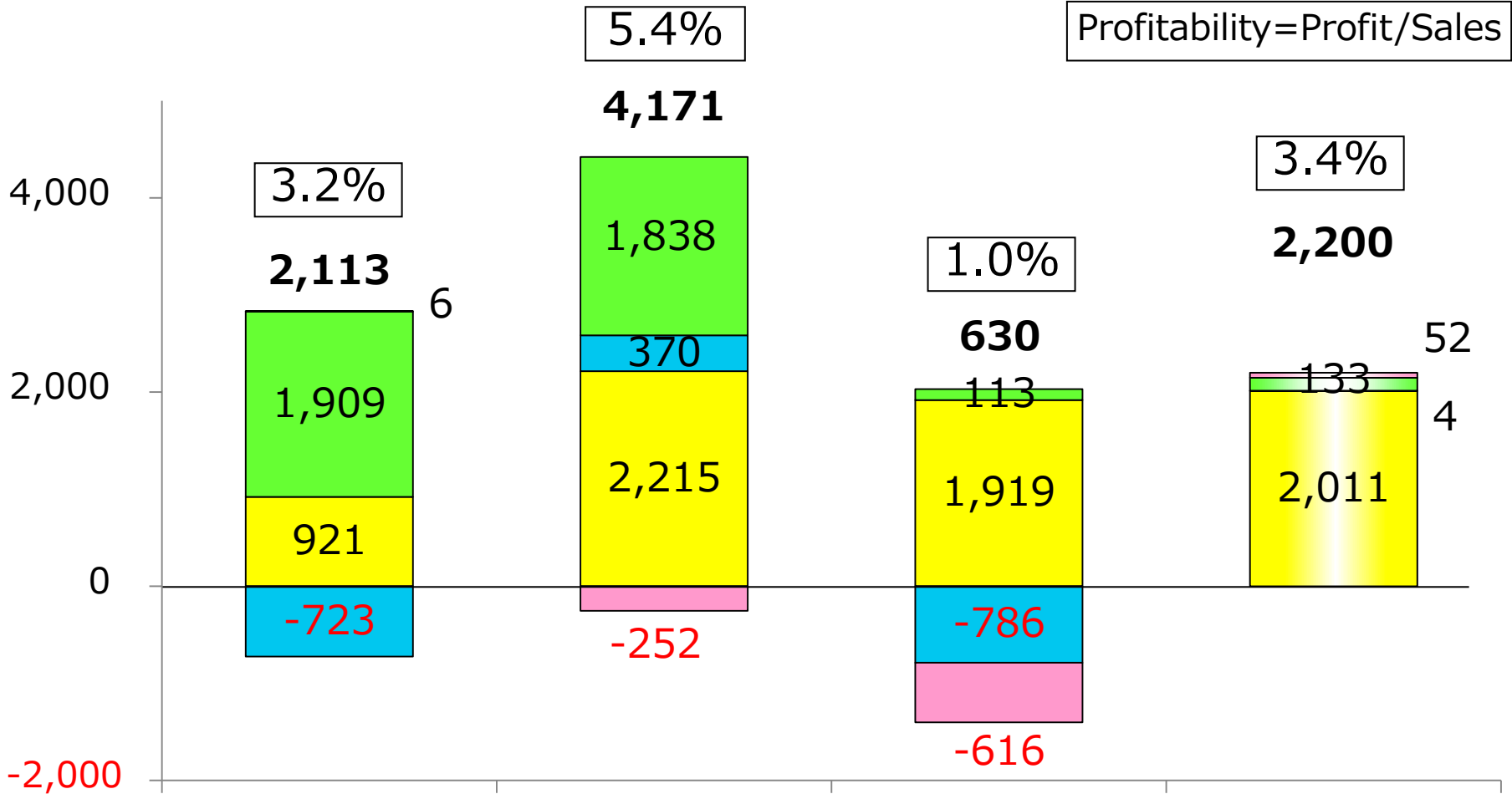
110.00JPY

■ CS
 ■ FC
 ■ TP
 ■ Others

Operating Profit by Product Div. (FY2014-FY2017)

Unit: Million yen

Profitability=Profit/Sales



FY2014 Result

FY2015 Result

FY2016 Result

FY2017 Plan

1USD=109.90JPY

120.47JPY

108.74JPY

110.00JPY

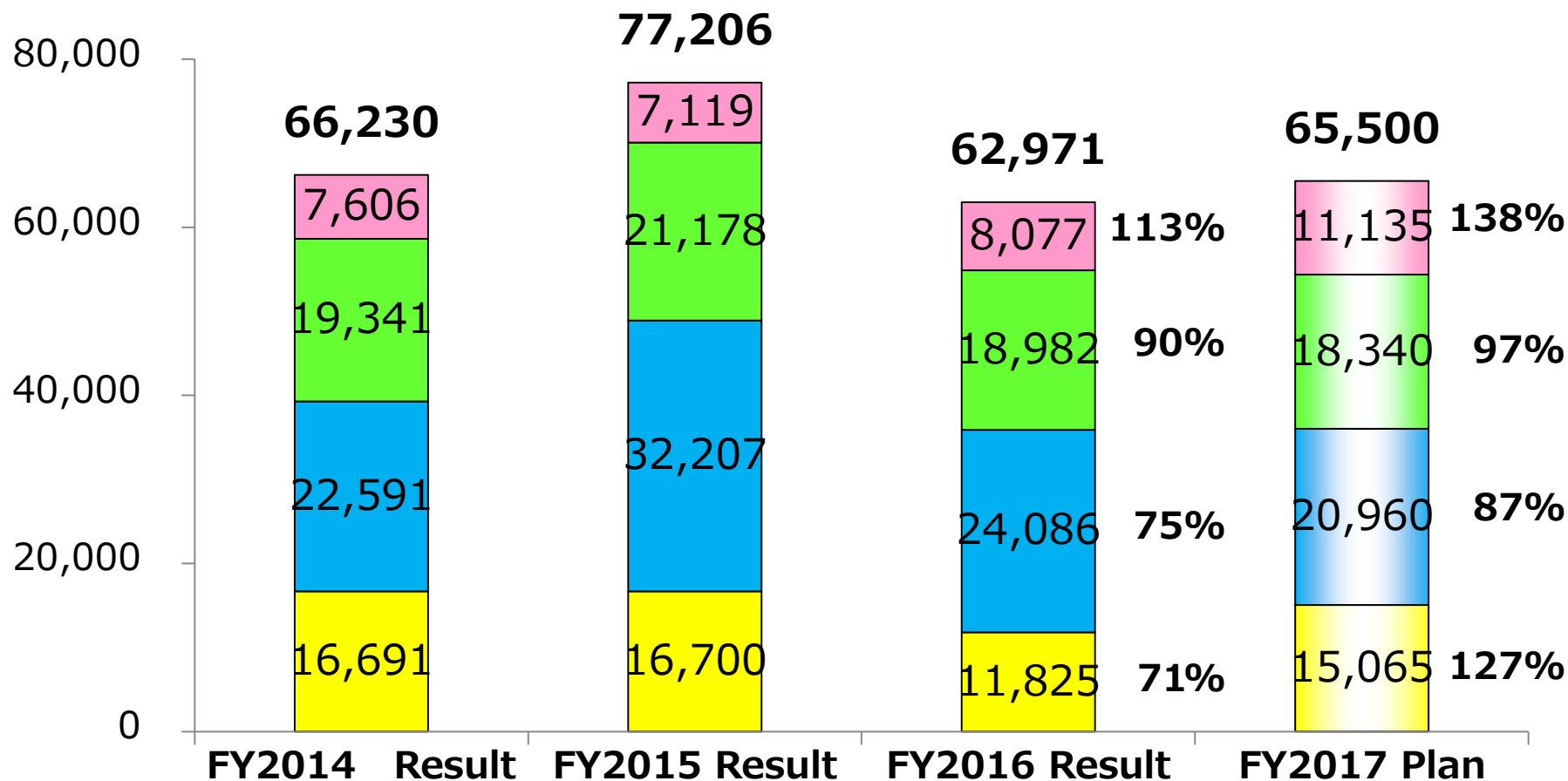
Exchange rate

CS FC TP Others

Reference: Net Sales by Market (FY2014-FY2017)

Unit: Million yen

%: Compared to previous term



Exchange rate

1USD=109.90JPY

120.47JPY

108.74JPY

110.00JPY

■ ICT

■ Home Appliance

■ Car Electronics

■ Industry · Others

FY2017 Priority Matters

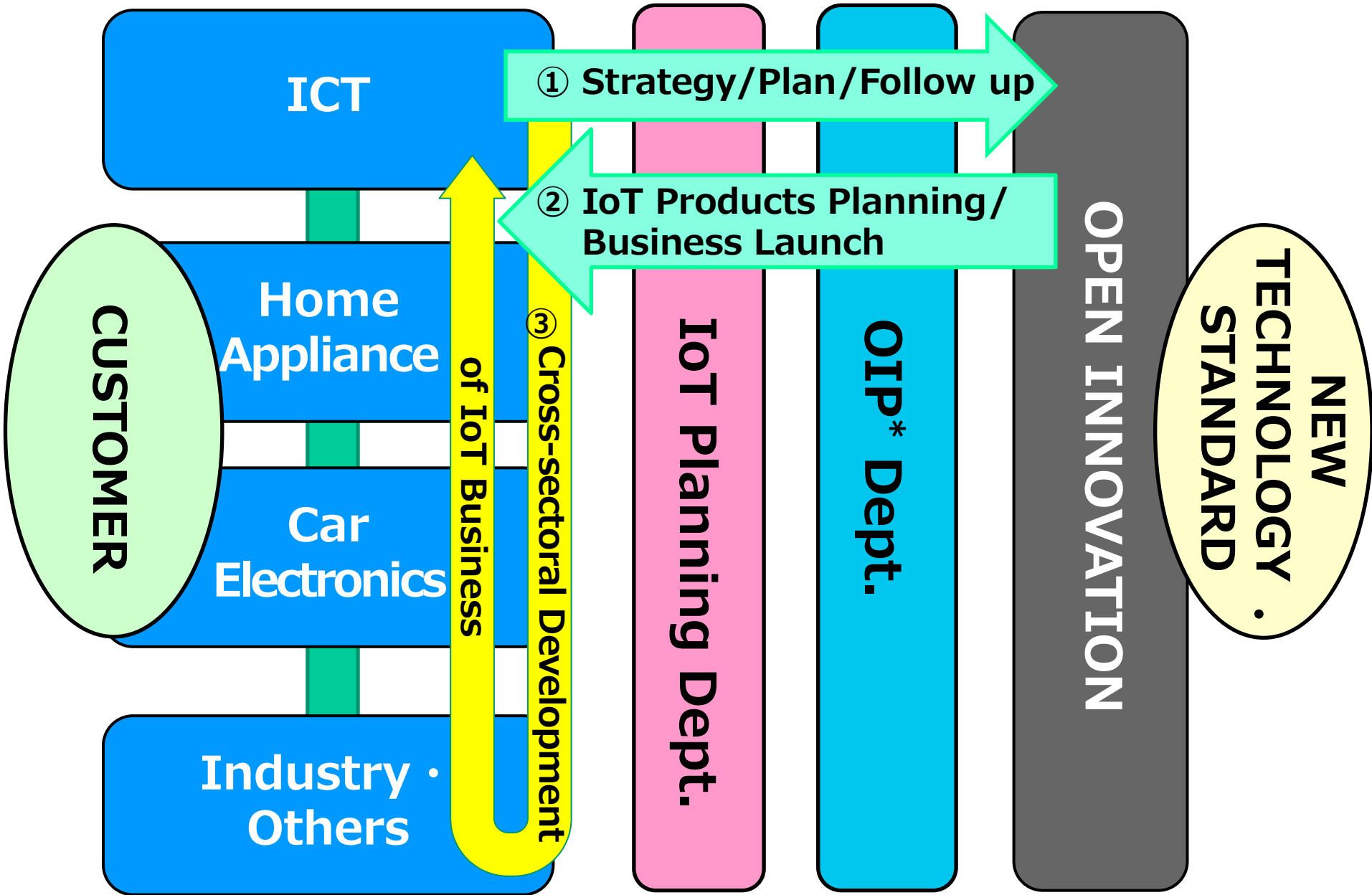
1 . Increase sales and profits in the short term

- ① Enhance activities to improve profitability
- ② Secure sales in existing key markets
- ③ Generate profits through new business

2 . Realize mid- to long-term growth

- ① Explore new markets
- ② Create new business by open innovation

New teams formed to expand IoT business



*OIP=Open Innovation Promote

Approach to IoT

Cloud (Big Data + Algorithm + AI)



Infrastructure



Industry



Building



Energy



Security



House



Medical

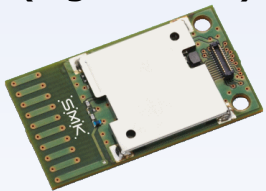
Low Power
Wide Area

Building Energy
Management
System

Home
Automation

Biometric
Authentication

920MHz-band
Communication Module
(e.g. SIGFOX)



Thread-compliant
Communication Module



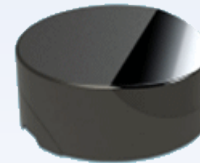
ECHONETLite™
Adapter (Wired)



Sensor Unit



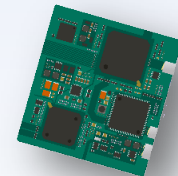
IR blaster



Bluetooth®
Smart Module



Communication Module
with Sensor



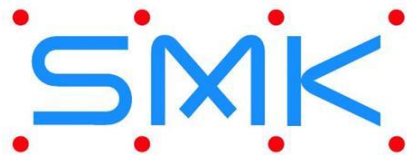
***Challenge
for
Innovations***

Notice

All information in this material concerning the forecast of business achievements, projections of general business conditions and our business strategies is dependent on our conclusion made to a normally foreseeable extent applying information reasonably accessible to us at the time of preparation of this material.

However, the reality is that it contains risks and uncertainties which may cause result to materially differ from business projections, stated or implied, due to situations which are unforeseeable under normal conditions, or of results which are beyond a reasonably foreseeable outcome at that time.

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



CREATIVE CONNECTIVITY