



Medium-Term Business Plan FY2024-FY2026

# SMK Next100

**CREATIVE CONNECTIVITY**

—Challenge, Creativity, Solutions

SMK Corporation (6798)

May 23, 2024



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1. Review of the Previous  
Medium-Term Business Plan FY2021-FY2023

- Over the first two years, benefiting from the weakening yen, sales and profits tracked closely to the plan.
- In the final year, prolonged inventory adjustments among main customers and a reduction in stay-at-home demand following COVID-19 resulted in significant underperformance in both sales and profits.

Unit: Billion yen

		FY2021		FY2022		FY2023	
		Medium-Term Plan	Result	Medium-Term Plan	Result	Medium-Term Plan	Result
Net Sales	CS	20.4	19.5	22.7	20.0	27.4	20.6
	SCI	27.6	28.4	29.0	34.5	32.2	25.5
	R&D	0.5	0.3	0.9	0.3	1.1	0.4
	<b>TOTAL</b> incl. others	<b>48.5</b>	<b>48.2</b>	<b>52.6</b>	<b>54.8</b>	<b>60.7</b>	<b>46.5</b>
Operating Profit	CS	0.67	1.04	1.1	0.89	2.2	1.10
	SCI	0.05	△0.14	0.6	0.39	1.0	△2.15
	R&D	△0.22	△0.20	△0.1	△0.16	△0.1	△0.18
	<b>TOTAL</b> incl. others	<b>0.50</b>	<b>0.70</b>	<b>1.6</b>	<b>1.13</b>	<b>3.1</b>	<b>△1.24</b>
	Margin	1.0%	1.5%	3.0%	2.1%	5.0%	△2.7%
Ordinary Profit		1.0	3.4	2.1	2.5	3.5	0.2
Net Profit		0.7	3.0	1.5	1.3	2.5	△0.5
ROE		2.5%	10.2%	5.0%	4.2%	8.0%	△1.5%
ROA		2.0%	6.5%	4.0%	4.5%	6.0%	0.4%
Exchange rate (1US\$=)		¥108	¥112.55	¥105	¥135.53	¥105	¥144.56

## Main Factors Behind Unmet Sales Target

Unit: Billion yen

Market	FY2023			Main Factors
	Medium-Term Plan	Result	Difference	
ICT	14.9	7.9	△7.0	<ul style="list-style-type: none"> <li>↘ RF connectors for 5G devices and base stations: Slow market expansion of real 5G smartphones.</li> <li>↘ Connectors for tablets: Decreased demand due to inventory adjustments.</li> <li>↘ Textile connectors for wearables: Market hasn't taken off yet.</li> </ul>
Home Appliance	20.6	17.5	△3.1	<ul style="list-style-type: none"> <li>↗ Remote controls for sanitary and air conditioners: Solid sales growth.</li> <li>↘ Remote controls and units for housing equipment: Decreased demand due to inventory adjustments.</li> <li>↘ Remote controls for STBs: Unable to secure new deals from major customers.</li> </ul>
Car Electronics	19.7	16.6	△3.1	<ul style="list-style-type: none"> <li>↗ Connectors for automotive electrical devices: Sales expansion through new products.</li> <li>↘ Units for E-Bikes: Decreased demand due to inventory adjustments.</li> <li>↘ Camera connectors for the Chinese market: Missed targets due to intense price competition.</li> </ul>
Industry/Others	5.5	4.5	△1.0	<ul style="list-style-type: none"> <li>↘ Struggling with new market cultivation using IoT wireless modules, healthcare-related units.</li> </ul>
<b>TOTAL</b>	<b>60.7</b>	<b>46.5</b>	<b>△14.2</b>	

## Corporate Structure Enhancement

Certain results were achieved in quality improvement, personnel system reform, and environmental actions.

### ■ Key Initiatives

Initiatives	Details
Strengthen Organizational Structure	<ul style="list-style-type: none"> <li>■ Management restructuring in the U.S and Mexico</li> <li>■ Downsizing of factories in Dongguan, China</li> <li>■ Integration of Product Divisions/R&amp;D Center and Sales Division</li> </ul>
Improve Quality	<ul style="list-style-type: none"> <li>■ Enhancement of prevention of quality complaints</li> </ul>
Increase Work Efficiency	<ul style="list-style-type: none"> <li>■ Update of core system (Japan, Malaysia)</li> <li>■ Introduction of RPA</li> </ul>
Reform Personnel System	<ul style="list-style-type: none"> <li>■ Introduction of a new wage system (Japan)</li> <li>■ Implementation of employee engagement surveys and engagement improvement initiatives (Japan)</li> </ul>
Promote Environmental Actions	<ul style="list-style-type: none"> <li>■ Promotion of the transition to renewable energy</li> <li>■ Reduction of total CO<sub>2</sub> emissions</li> </ul>



Toyama Works



Hitachi Works



Philippines Factory



Malaysia Factory



Mexico Factory

## 2. New Medium-Term Business Plan SMK Next100

## SMK's Vision **CREATIVE CONNECTIVITY** —Challenge, Creativity, Solutions



**SMK 100th Anniversary in April 2025**

**Toward New Growth**  
Confidence & Transformation

**Accelerating structural reforms for sustainable growth**

Looking toward the next 100 years, we aim to maximize corporate value by pursuing sustainable growth in sales and profits, and by improving the sophistication of our management base, capital and financial strategies.

**SMK Next100**

**What SMK should be**

We will contribute to the next 100 years with our *Manufacturing Capabilities* that realize all kinds of needs.

- We provide products and services that solve the challenges faced by customers who use electronics, contributing to the creation of a prosperous society. —

	<b>FY2023 Result</b>	<b>FY2026 Target</b> (Final year of the Medium-Term Business Plan)	<b>FY2035 Target</b> (Long-Term Vision)
<b>Net Sales</b>	46.5 billion yen	60.0 billion yen	150.0 billion yen
<b>Operating Profit Margin</b>	△2.7 %	3.5 %	10.0 %
<b>ROE</b>	△1.5 %	5.0 %	10.0 %

- In preparation for great progress in the next 100 years, we will accelerate **structural reforms for sustainable growth**.
- Based on the promotion of sustainable management, we will work to achieve sustainable growth in sales and profits, advance the sophistication of our management base, capital and financial strategies, all aimed at maximizing corporate value.

### Improving Corporate Value

Achieving sustainable  
growth in sales and profit

Strengthening management  
base that supports business

Sophisticating capital  
and financial strategies

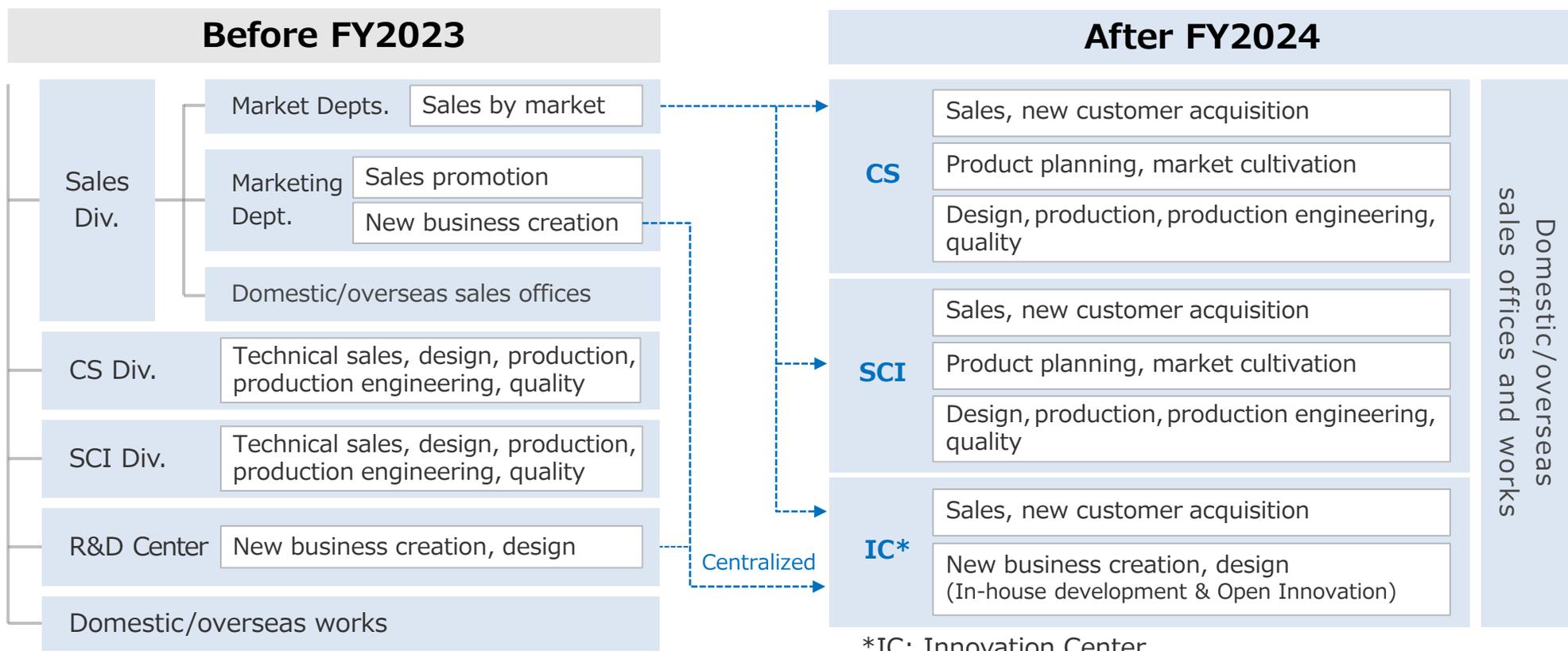
Promoting ESG & sustainability management

- Reorganized and integrated Sales Division, Product Divisions, and R&D Center, transitioning to an *integrated production and sales* organizational structure.
- Unify policies from sales to production to accelerate strategy formulation and execution for profit maximization, aiming to expand existing businesses and create new businesses.

Archive operational excellence

Unify sales and profit responsibility

Improve salespersons' product professional skills



## Achieving sustainable growth in sales and profit

### ■ CS Division

#### **Expand sales and improve profitability in focus markets**

Focus Markets: Car electronics & E-Bike, renewable energy, wearable

For improving profit margins: Promote automation and smart factories.

### ■ SCI Division

#### **Enhance profitability and return to a growth path**

For improving profitability: Create high-value-added products (sensing + existing technologies),  
promote automation and smart factories, optimize production systems.

Focus Markets: Home appliance & housing equipment, car electronics & E-Bike

### ■ Innovation Center

#### **Create new businesses through in-house technologies and Open Innovation**

Develop solution businesses by combining communication modules, sensors, and algorithms

Focus Market: Healthcare

# 2-5 Medium-Term Sales Plan and Key Products by Market

12/30

\*Growth Rate: FY2026 over FY2023

Unit: Billion yen

Market	FY2023 Result	FY2024 Forecast	FY2025 Target	FY2026 Target	Growth Rate*	Focus Areas	Key Products
ICT	7.9	9.0	10.1	10.9	138%	Tablet	Connectors
						Wearable	Connectors, switches
Home Appliance	17.5	18.0	18.6	21.4	122%	Air Conditioner	Remote controls, units
						Housing Equipment	Remote controls, units, sensors
Car Electronics	16.6	17.5	18.2	20.8	125%	EV	Connectors, units
						E-Bike	Connectors, units, switches
						ECU	Connectors
Industry/ Others	4.5	5.5	5.1	7.0	156%	Healthcare	Biometric sensors
							Dementia diagnosis algorithm
						Renewable Energy	Monitoring sensors
TOTAL	46.5	50.0	52.0	60.0	129%		Connectors, units

## Analysis of current situation to improve corporate value

- The current PBR is 0.5.
  - Reasons (1) Weak sales and profit and uncertainty in growth potential
  - (2) High profit volatility
  - (3) Low ROE and operating profit margin

## Achieve a growth path through steady execution of the Medium-term Business Plan

- Medium- to long-term ROE target: 10%  $\Leftrightarrow$  Cost of equity: 9% (estimated)
- Implement measures to improve capital efficiency through the gradual introduction of ROIC.

## Shareholder Return Policy

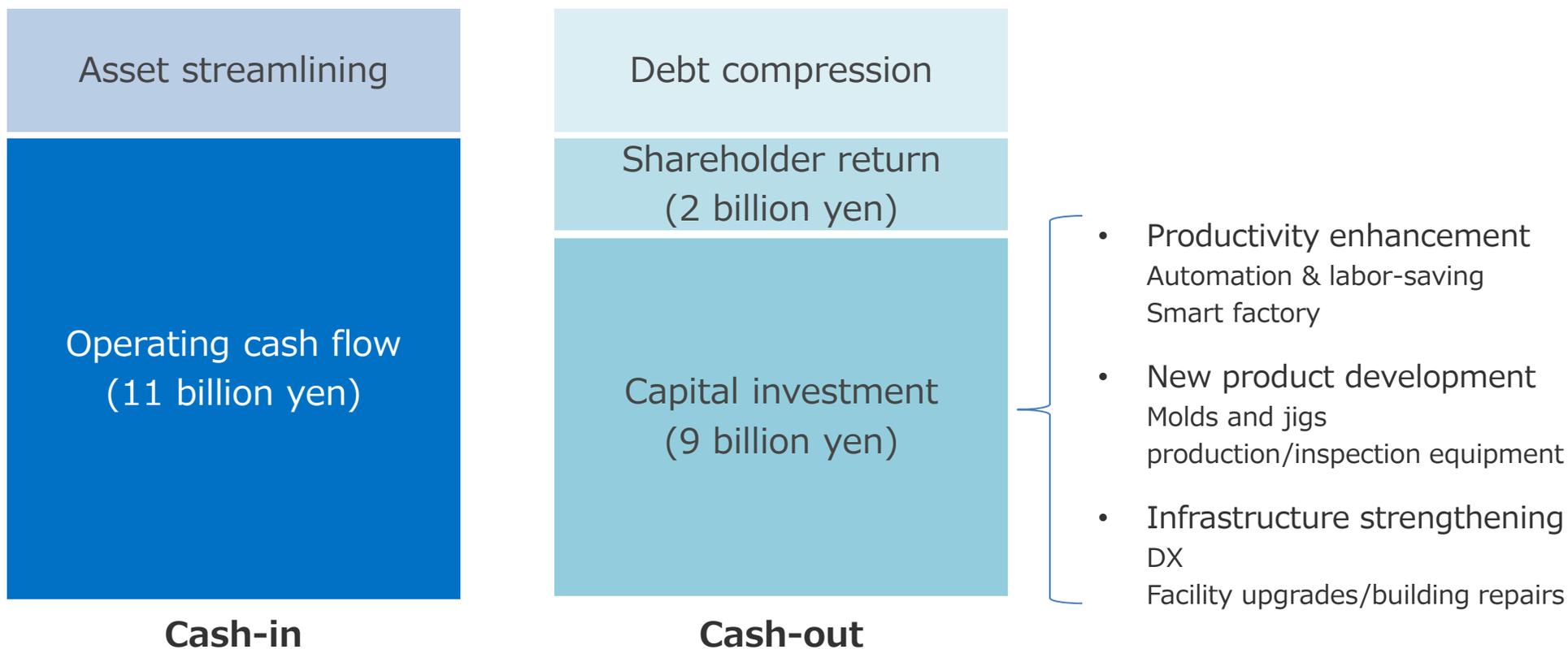
During this Medium-Term Business Plan period, we aim for shareholder returns by combining dividends targeting a DOE of approx. 2% and flexible share buybacks based on business performance, with the premise of maintaining financial soundness in response to changes in the business environment.



The forecast for dividends in FY2024 is 100 yen.

- Allocate around 80% of the 11-billion-yen operating cash flow generated during the Medium-Term Business Plan period to growth investments.
- Compress working capital and optimize asset efficiency of cross-shareholdings to strengthen the financial position.
- Actively distribute dividends to shareholders in line with the aforementioned dividend policy.

## Cash Allocation Outlook during FY2024-FY2026



Environment	Society	Governance
<p><b>Achieve carbon neutrality in FY2045</b></p> <p>Medium-term target for reducing total CO<sub>2</sub> emissions (vs. FY2020)</p> <p>FY2026 <b>24%</b> reduction</p> <p>FY2030 <b>40%</b> reduction</p>	<p><b>Strengthen human capital</b></p> <p>Reform personnel system</p> <p>Secure and develop human resources</p> <p>Promote diversity and gender equality</p>	<p><b>Enhance corporate governance</b></p> <p><b>Enhance crisis management</b></p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Measures</b></p> <ul style="list-style-type: none"> <li>• Update to energy-efficient facilities</li> <li>• Introduce solar power generation systems</li> <li>• Procure low-carbon electricity</li> </ul>	<ul style="list-style-type: none"> <li>• Review performance evaluation system</li> <li>• Enhance training programs (reskilling, overseas training, etc.)</li> <li>• Increase the proportion of female managers</li> </ul>	<ul style="list-style-type: none"> <li>• Adapt to the Tokyo Stock Exchange's Corporate Governance Code</li> <li>• Strengthen information management and information security</li> <li>• Improve business continuity capability (strengthen IT-BCP)</li> </ul>

## Enhance IT Systems

- Visualize management indicators and improve data utilization
  - Optimize business processes of design and development

Unit: Billion yen

		FY2023 Result	FY2024 Forecast	FY2025 Target	FY2026 Target
Net Sales	CS	20.6	23.4	24.0	27.8
	SCI	25.5	26.3	27.4	31.0
	IC	0.4	0.3	0.6	1.2
	<b>TOTAL</b>	<b>46.5</b>	<b>50.0</b>	<b>52.0</b>	<b>60.0</b>
Operating Profit	CS	1.10	0.97	1.00	1.50
	SCI	△2.15	△0.71	0	0.70
	IC	△0.18	△0.46	△0.30	△0.10
	<b>TOTAL</b>	<b>△1.24</b>	<b>△0.20</b>	<b>0.70</b>	<b>2.10</b>
	Margin	△2.7%	△0.4%	1.3%	3.5%
ROE	△1.5%	5.0% in the final year (FY2026)			
Exchange rate (1US\$=)	¥144.56	¥150	¥130	¥130	

### 3. Medium-Term Business Plan by Product Division

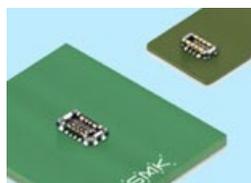
## Connection System

Major Products: Connectors

### Information & Communication Technology



High frequency board to board connectors



High-current small board to board connectors



USB Type-C® receptacles



φ3.5mm mini jacks

### Car Electronics



FPC/FFC connectors with locking structure



Coaxial FAKRA connectors



High performance pogo pin Type terminals

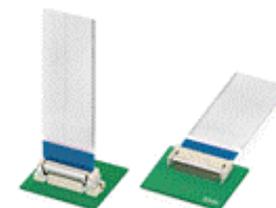


Automotive camera connectors

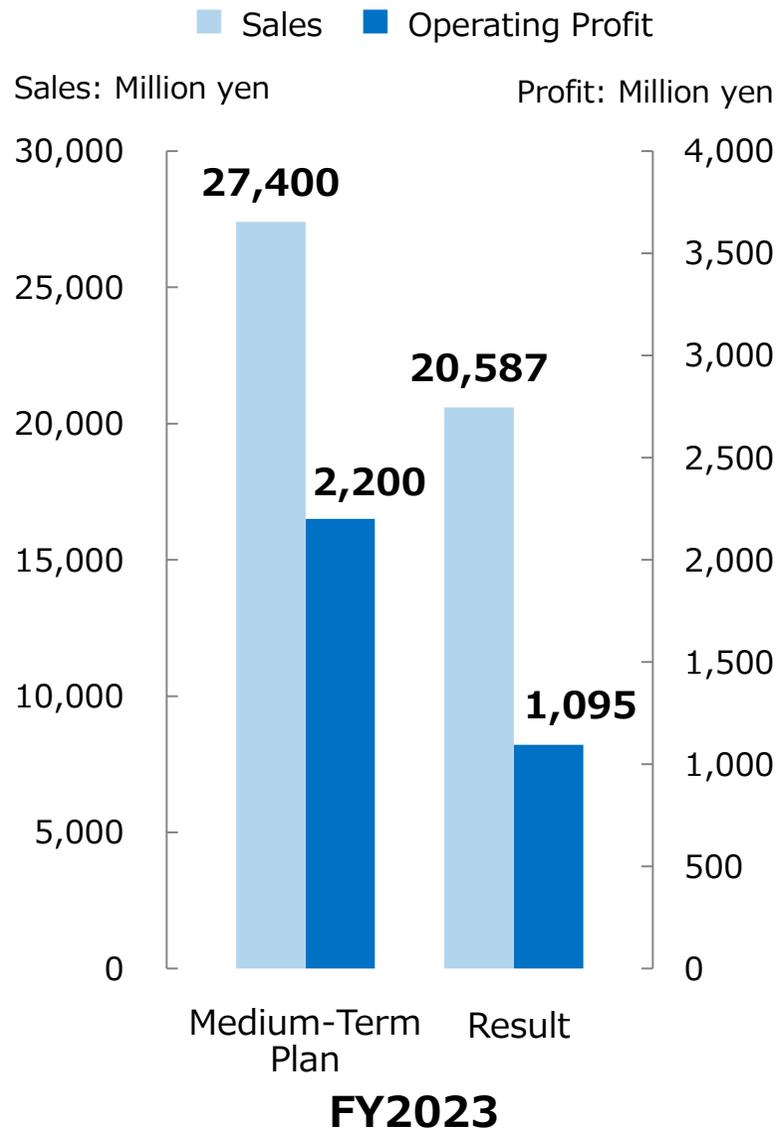
### Home Appliance & Industry/Others



Connectors for photovoltaic module



0.5mm pitch one action FPC/FFC connectors



## Sales

Despite efforts to expand sales in the car electronics and ICT markets, targets were not met due to:

- Sluggish global economic growth due to COVID-19.
- Decreased demand in the car electronics market due to difficulties in material sourcing such as semiconductor shortages.
- Immaturity of millimeter-wave 5G and wearable markets.
- Intensified price competition in the car electronics market in China.
- Inventory adjustments by main customers (tablets).
- Downturn in Japanese smartphone manufacturers.

## Operating Profit

- Increased costs due to geopolitical issues such as the Ukraine crisis and U.S.-China trade tensions (material and logistics costs).
- Currency fluctuations (yen depreciations)

## Key Initiatives

- Strengthening **Manufacturing Capabilities** through promotion of automation to enhance productivity.

## Environment

- Simultaneous progress of xEV and ADAS.  
⇒ Increasing demand for electronic components in the car electronics market, including new categories such as personal mobility.
- Expansion of the renewable energy market.
- Rising demand for transitioning to green energy, including within supply chains.

## Growth Strategy

### Basic Policy

- Expand orders by making proposals leveraging synergies between existing resources and DX that meet customer needs.
- Practice manufacturing though front-loading product development.

### Focus Market

- Car electronics: x EV/ADAS, E-Bike
- Consumer, industrial: Smartphone, tablet, wearable, amusement, renewable energy

### Manufacturing Strategy

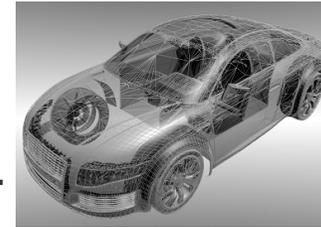
- Achieve early establishment of product design quality by advancing simulation technologies.
- Promote smart factories and smart manufacturing processes (DX, automation).

Unit: Billion yen	FY2023 Result	FY2024 Forecast	FY2025 Target	FY2026 Target
Net Sales	20.6	23.4	24.0	27.8
Operating Profit	1.1	0.97	1.0	1.5
Operating Profit Margin	5.3%	4.1%	4.2%	5.4%
Capital Expenditure	1.0	1.5	1.5	1.8

## Car Electronics Market

### Lightweight and Thin Design for BMS of xEV

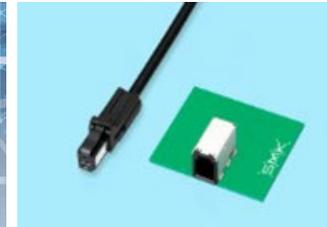
- Expand sales and product lineup of FPC connectors for EV batteries.



FV-1 Series

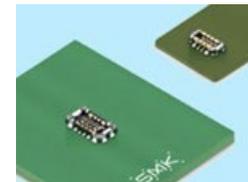
### ADAS, Infotainment

- Develop **high-speed transmission** connectors for higher-resolution automotive cameras.
- Expand sales of 1Gbps Ethernet connectors with the industry's smallest width.



## ICT Market

- Develop **small, high-speed, high-current** connectors for high-performance smartphones and tablets.
- Actively develop connectors for wearables.



## Renewable Energy-related Market

- Strengthen development of small, high-current connectors.



## Strengthening of BCP

## Sensing, Communication & Interface

Major Products: Switches, automotive cameras, wireless modules, remote controls, touch sensors

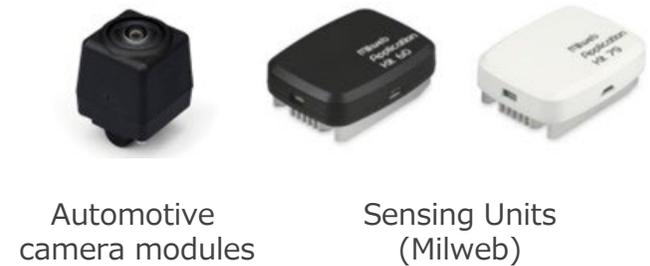
### Main Applications

- ▶ Control switches
- ▶ Switches for smartphones
- ▶ Automotive cameras
- ▶ Wireless modules
- ▶ Remote controls
- ▶ Automotive touch sensors
- ▶ Touch sensors for industrial and consumer applications

#### SW - Switch -



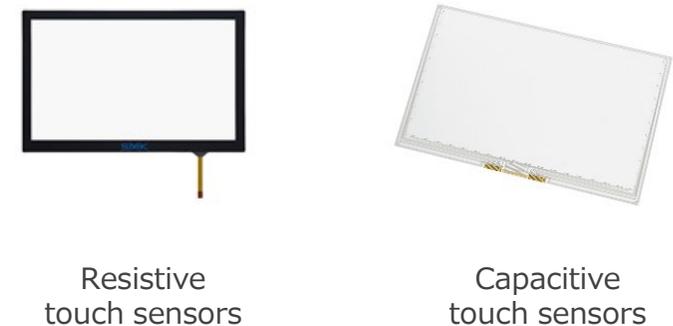
#### CU - Composite Unit -

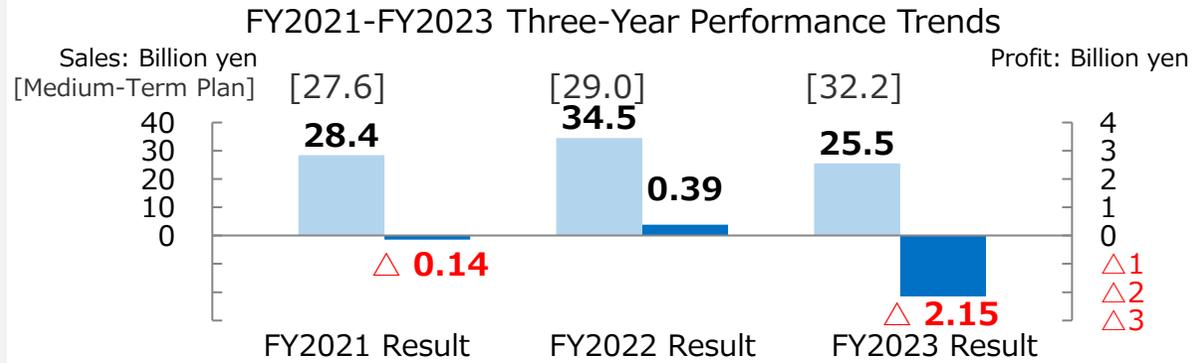
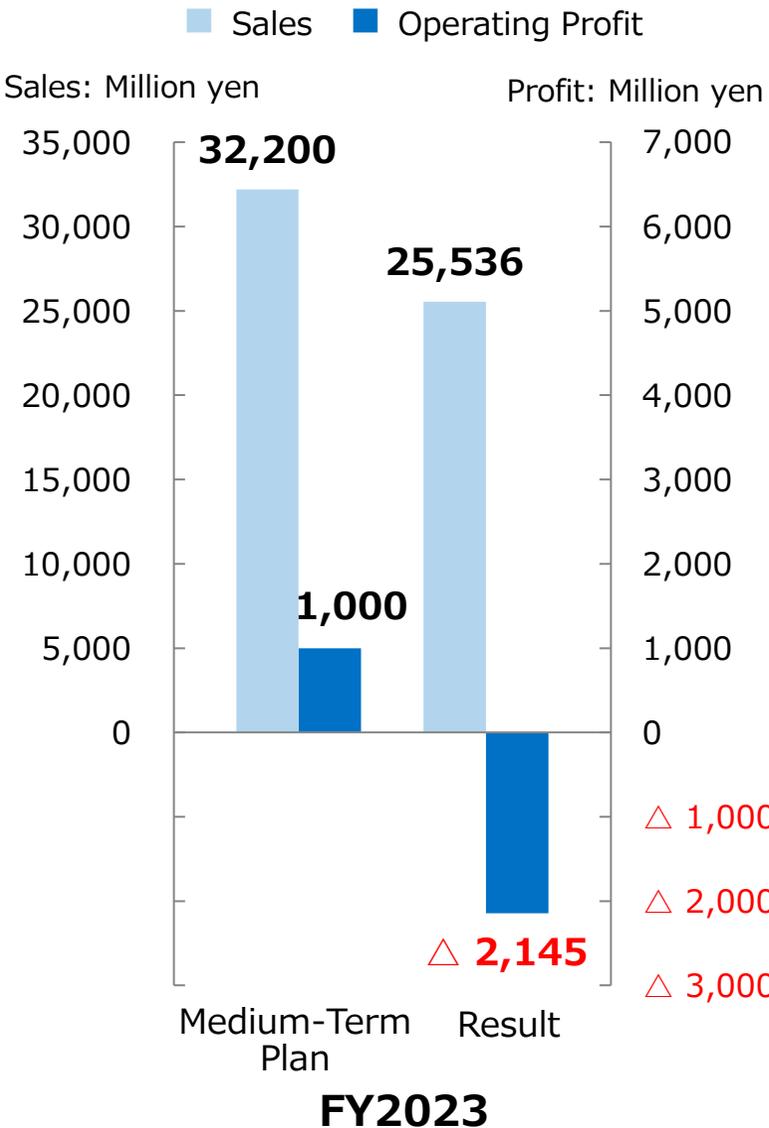


#### RC - Remote Control -



#### TS - Touch Sensor -





### Sales

FY2021/FY2022: Progressed solidly, surpassing plan.  
 FY2023: Significantly decreased due to market downturn and inventory adjustments by main customers (Car electronics, air conditioning related)

### Operating Profit

FY2021/FY2022: Profitability improved due to increased sales.  
 FY2023: Significantly deteriorated due to decreased sales and high COGS. Recorded inventory write-down for assets with no expected recovery.

### Key Initiatives to Expand Sales

- Expansion of E-Bike business: Secured orders for new products from Japanese manufacturers.
- Camera modules: Proposing value-added products with sensing technologies.
- Sensing devices: Expanding sales in Japan and U.S. Market.

### Profitability Improvement

- Strengthening domestic production capacity (reshoring demand, respond to yen depreciation).
- Promoting labor-saving for improved productivity (partial automation, generalization of production facilities).
- Optimizing personnel in overseas production sites. (△21% in Philippines, Mexico, and China)

## Environment

**Market**

- Accelerating shift toward eco-friendly products.
- Rapid spread of products utilizing AI.
- Growing awareness of safety, health, and monitoring.

**Supply Chain**

- Recovery from semiconductor and electronic component shortages.
- Growing influence of component manufacturers.
- Increase in intermediate inventory due to market downturn (imbalance of supply and demand).

## Growth Strategy

**1. Maintenance and expansion of existing markets**

- Car electronics: Expand E-Bike business (from domestic to overseas).
- Home appliance and housing equipment: Deepen relationships with main customers.

**2. New market cultivation**

Commercialize high-value-added sensors and sensing products.

- Develop products by integrating with existing technologies.
- Develop high-value-added products with sensing and camera modules.

**3. Organizational structure enhancement**

- Establish a dedicated team for new markets and customer cultivation to strengthen sales expansion.
- Review production systems to meet BCP and reshoring demand. (Respond to yen depreciation)
- Improve productivity through partial automation and labor-saving measures.

Unit: Billion yen	FY2023 Result	FY2024 Forecast	FY2025 Target	FY2026 Target
Net Sales	25.5	26.3	27.4	31.0
Operating Profit	△2.15	△0.71	0	0.70
Operating Profit Margin	△8.4%	△2.7%	0.0%	2.3%
Capital Expenditure	1.1	0.5	0.4	0.5

# Basic Policy Breakthrough to the Next Stage

## Key Product

### Milweb

- Millimeter-wave sensor equipped with algorithms.
- Detects heart rate, respiratory rate, position, number of people, distance, speed, etc.
- Received numerous inquiries from [various fields](#).



Number of people and occupancy



Vital signs



Movement



Distance and speed



Milweb Application Kit "MAK"

Next

## Toward the generation and commercialization of next main products

- Integration with [existing technologies](#)
- Integration with [AI](#)

## Production System Enhancement

- Promote automation and optimization of production lines.  
Labor-saving: Expand human-robot collaborative production lines globally.  
Generalization of production facilities: Promote efficiency in capital investment.  
→ Secure personnel, improve production efficiency.
- Strengthen domestic production.  
Expand production space in Showa Denshi Co., Ltd. Hitachi Works.



Showa Denshi Co., Ltd. Hitachi Works  
After expansion and renovation

In April 2024, Innovation Center was established by integrating former R&D Center and the team creating new businesses through open innovation activities in the former Marketing Department in the Sales Division. This reorganization aims to centralize and strengthen new business creation resources to enhance efficiency and speed.

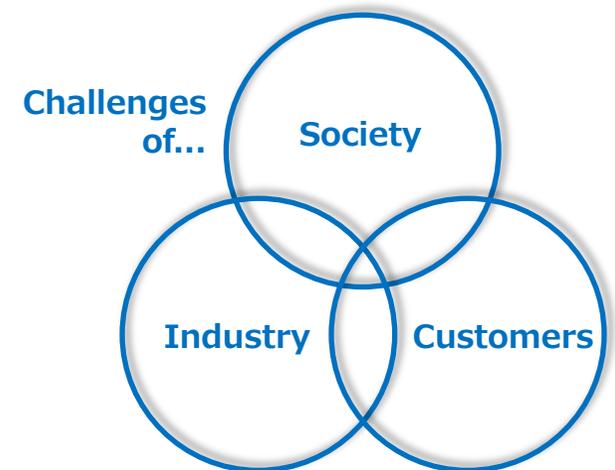
## Innovation Center's Mission:

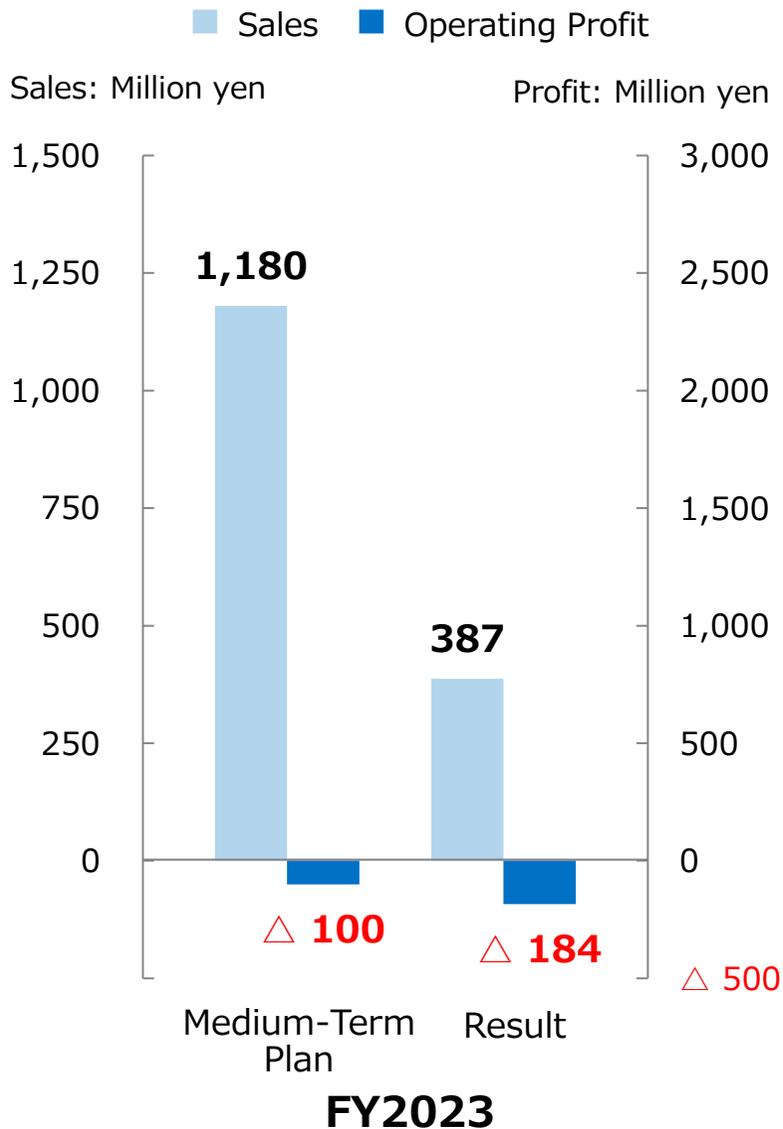
1. Create the next pillars of revenue through unique, high-value-added technologies and products.
2. Develop new business models combining hardware, software (algorithms), and services.
3. Create solution businesses addressing social challenges.

Innovation Center actively integrates internal R&D with external cutting-edge technologies through open innovation, with the aim of addressing social, industry, and customer challenges.

The themes of innovation activities

- **Healthcare**
- **ADAS**
- **IoT**
- **AI**





## Sales

- Communication Modules: Missed targets due to weak sales <Bluetooth® modules>
  - No new orders due to intensified price competition.
  - Decrease in sales due to reduced demand from existing customers.
- <Sub-GHz modules>
  - Started mass production for system lighting, but missed targets.
- Open Innovation: Positioned the previous Medium-Term Business Plan period as a phase for development and PoC.

## Key Initiatives

- Sub-GHz Modules: Secured mass production orders after PoC for logistics.
  - ⇒ Mass production start in FY2024.
- Open Innovation: Conducted development and PoC of radar based monitoring sensors through capital and business alliance with EchoCare.
  - ⇒ Targeting mass production start in FY2025.

## Environment

### Further Growth of the IoT Market

Market size forecast:  
US\$4,062.34 billion by 2030, CAGR 24.3%

<Leading markets>

- Digital healthcare
- Smart home appliance
- Car electronics
- Industrial applications

### Growth of Biometric Healthcare Market

- SMK has established partnership with startups with advantages, but
- intense competition requires maintenance of differentiation and swift business expansion.

Market size forecast:  
US\$ 802 billion by 2030, CAGR 27.5%

## Growth Strategy

1. Promote development by combining original communication technologies, sensors, and algorithm.
2. Increase profit margins through in-house development of core algorithms.
3. Leverage open innovation.

<Cultivating Markets>

Car electronics, logistics, and DX market such as retail

1. Launch healthcare businesses through business and capital alliances.
2. Pursue high-profit-margin subscription service businesses.

<Cultivating Markets>

- Brain-related diseases screening via speech analysis  
⇒Japan and Asia with exclusive rights
- Monitoring sensors ⇒elderly facilities, hospitals, etc.

Unit: Million yen	FY2023 Result	FY2024 Forecast	FY2025 Target	FY2026 Target
Net Sales	387	297	600	1,200
Operating Profit	△184	△456	△300	△100
Operating Profit Margin	△47.5%	△153.6%	△50%	△8.3%
Capital Expenditure	9	30	30	30

## Sub-GHz Communication System

- Uses [original 920MHz Protocol](#).
- [Communication specifications are customizable](#) to suit applications.
- Enables to [built systems by combining various sensors](#).

### Applications

- Equipment monitoring in stores
- Temperature management in logistics

Our system enables communication through small gaps even in situations where metal enclosure makes Bluetooth® low energy/Wi-Fi® connectivity challenging.



## Speech Analysis Technology

- Technology to [analyze underlying brain-related diseases and emotions](#) from the speech rhythm and spectrum.
- Utilizes [advanced machine learning algorithms](#) developed in collaboration with linguists.

### Applications

#### Screening for dementia in the elderly

Features: Allows for easier and simpler screening compared to conventional interviews or imaging tests.

Analysis Items: Cognitive function (MCI), depression, fatigue, vitality, stress, etc.



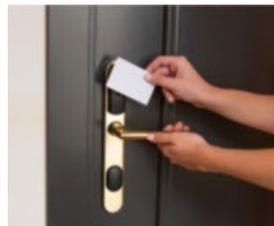
## NFC Antenna

- Coil type with metal wire wound around ferrite core.
- Small and thin, allowing for flexible placement.



### Applications

Embedding NFC antennas in car door handles, pillars, and house doorknobs, enabling the use of smartphones or cards as keys.



## Radar Based Monitoring Sensor

A high-functioning monitoring system [capable of detecting falls, water submersion in bathrooms, and analyzing the daily activities of seniors](#) using radar technology, without the need for cameras.

### Applications

#### - In the room

Detection of position, falls, getting out of bed, and monitoring of heart rate/breathing, etc.



#### - In the bathroom

Detection of water submersion, falls, prolonged inactivity, etc.



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.

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