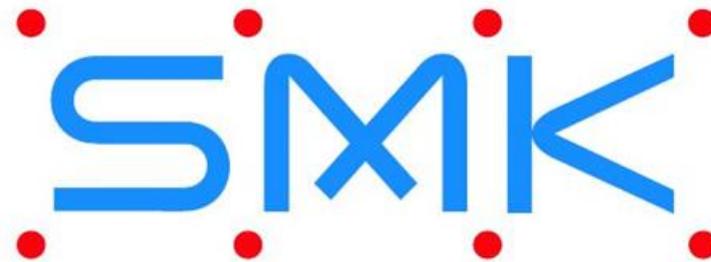


Business Report for FY2017



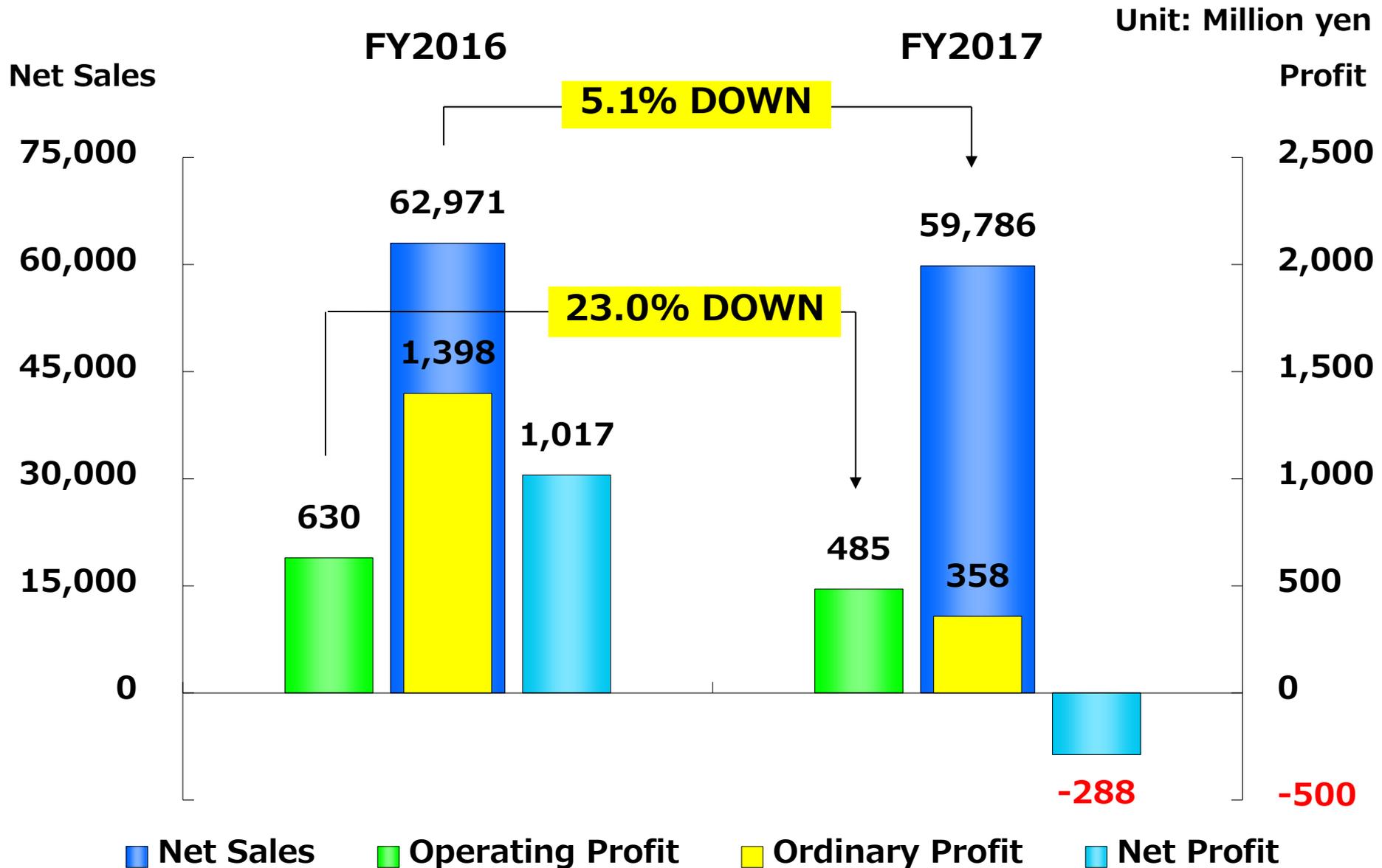
FY2017

Outline of Financial Statement

Executive Vice President and CFO

KOHEI OHGAKI

<Consolidated> Financial Results



<Consolidated> Operating Expenses

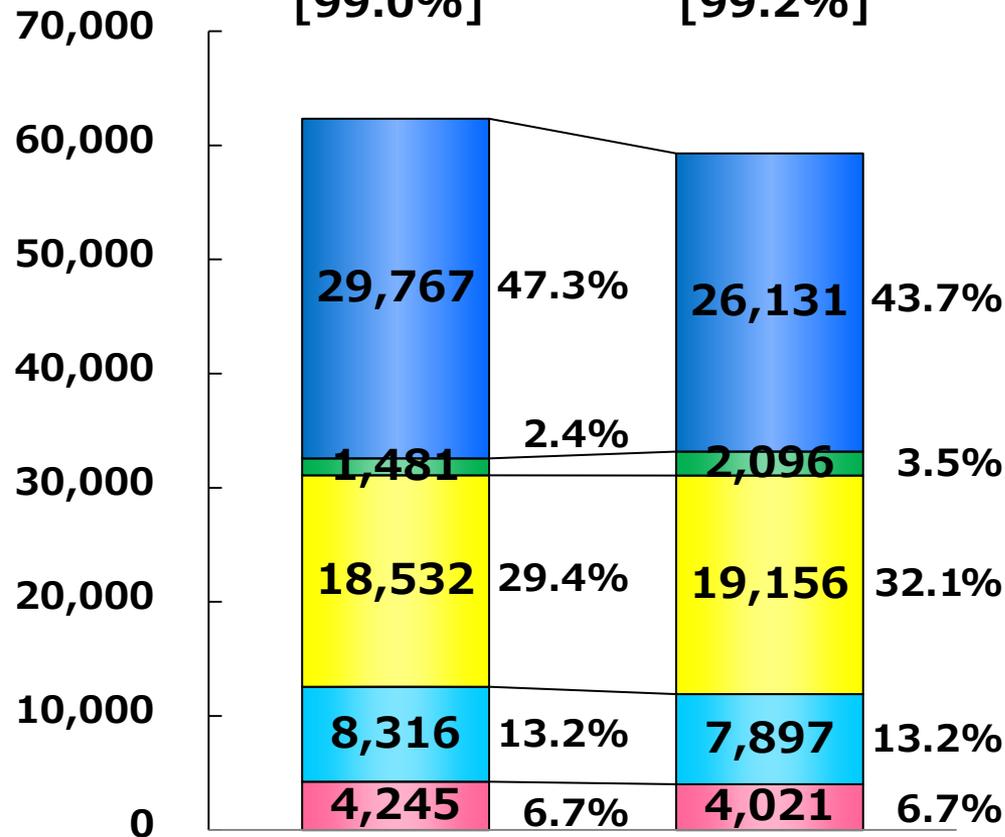
Unit: Million yen

FY2016

FY2017

62,341
[99.0%]59,301
[99.2%]

[]: Sales Ratio



■ Material costs

■ Amount paid to subcontractors

■ Labor costs

■ Expenses

■ Depreciations

- Improvement by 2.5% in ratio of material costs & amount paid to subcontractors
49.7% → 47.2%
(The ratio of material costs decreased due to the model mix)
- Raise by 2.7% in ratio of labor costs & expenses
42.6% → 45.3%
(Due to the reduction in sales)

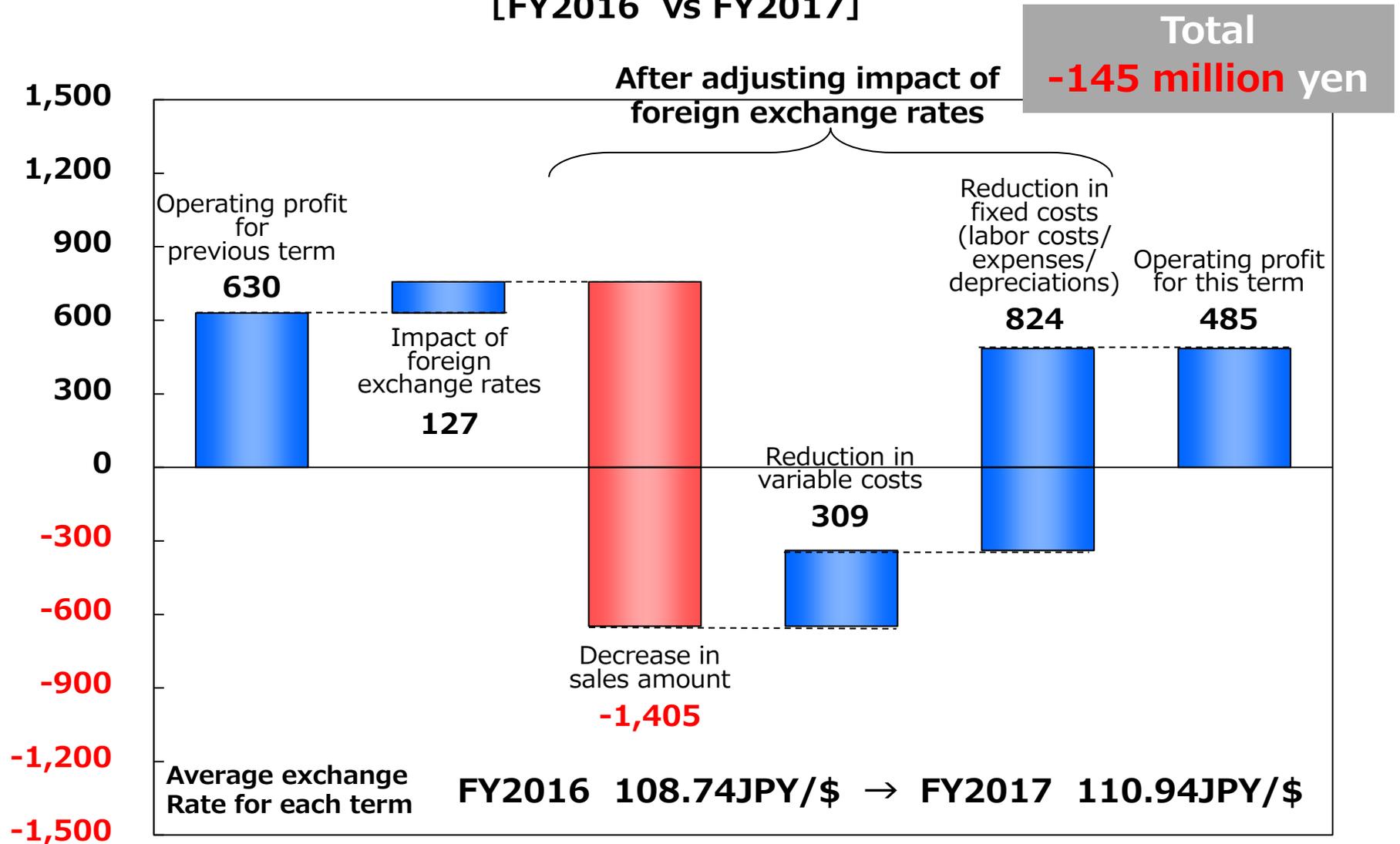
Operating Profit 630
[1.0%]

485
[0.8%]

<Consolidated> Analysis of Sales Expenses

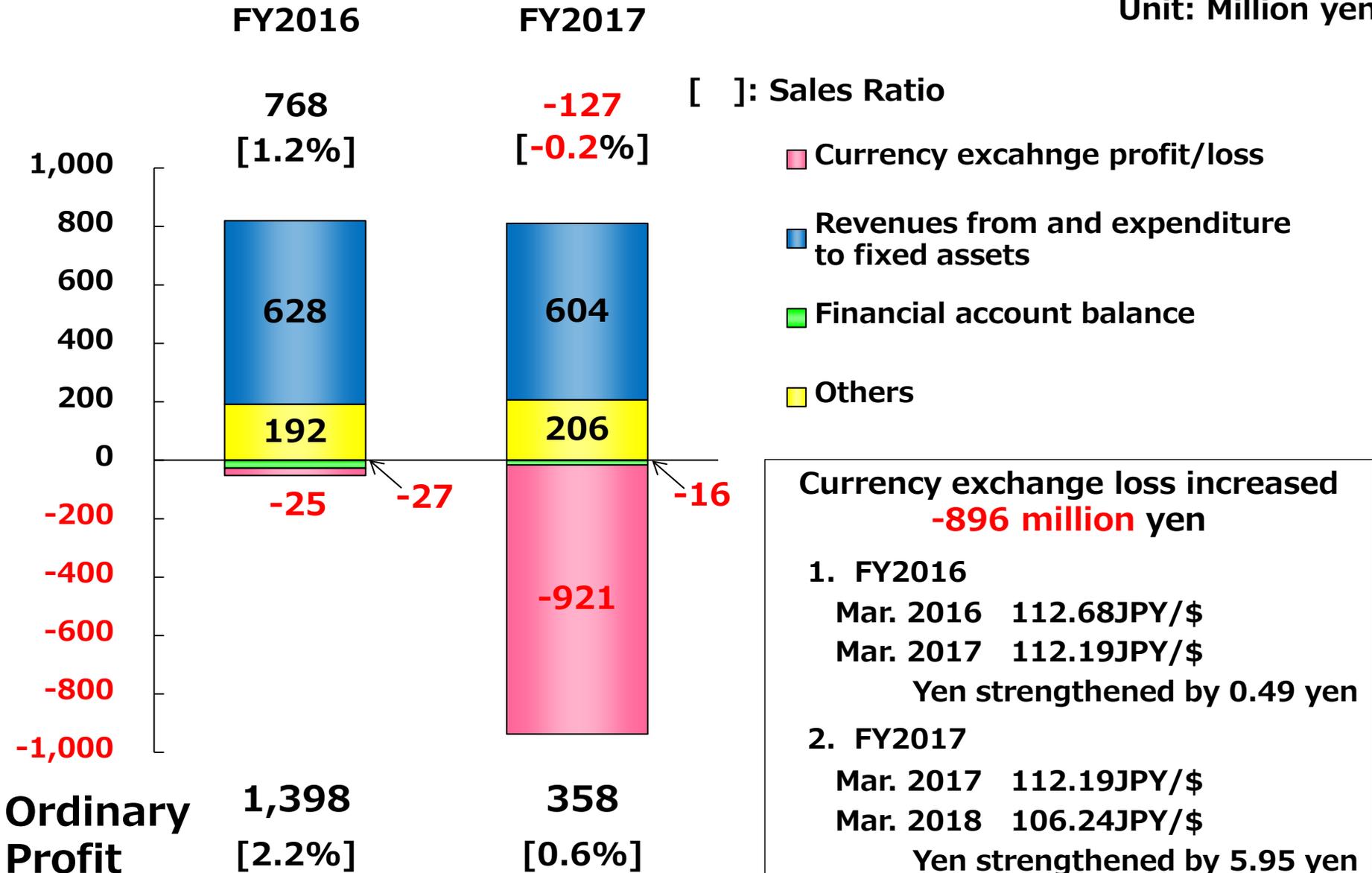
Analysis of factors for increase/decrease
of consolidated operating profit
[FY2016 vs FY2017]

Unit: Million yen



<Consolidated> Non-operating Profit and Loss

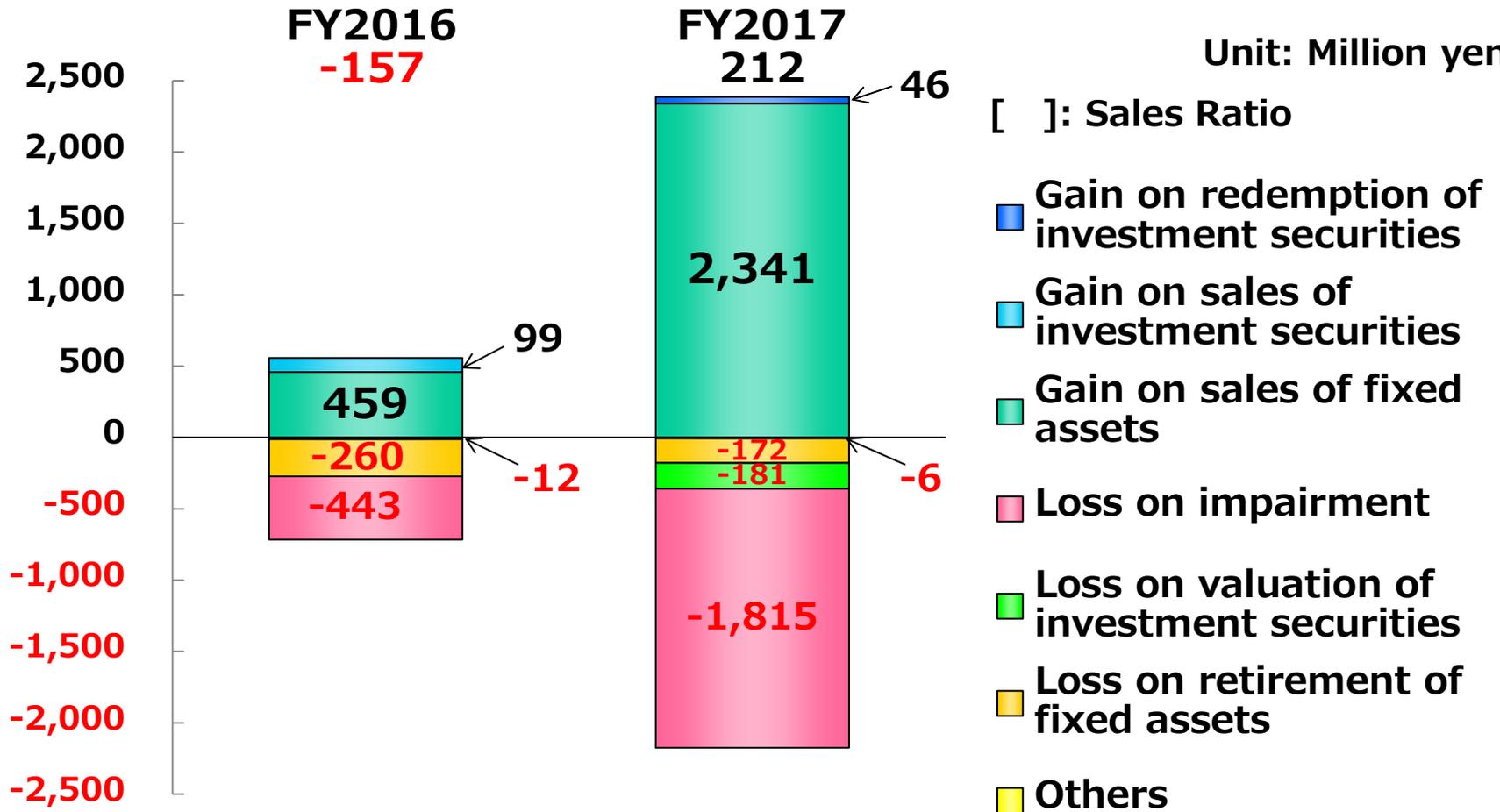
Unit: Million yen



<Consolidated> Extraordinary Profit and Loss

Unit: Million yen

[]: Sales Ratio



Profit before taxes	1,241	570
Income taxes	-476	-873
Loss attributable to non-controlling interests	-252	-14
Net Profit	1,017	-288
	[1.6%]	[-0.5%]

<Consolidated> Segment Information

Unit: Million yen

FY2017

	Reporting Segment				Others*	TOTAL
	CS Div.	FC Div.	TP Div.	Total		
Net Sales	28,422	21,420	9,582	59,424	362	59,786
Operating Profit (Loss)	3,203	(1,360)	(832)	1,011	(526)	485

FY2016

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

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

<Consolidated> Cash Position

Unit: Million yen

	Mar. 2017 (A)	Mar. 2018 (B)	Differential (B – A)
Assets	62,318	61,807	(510)
Cash and cash equivalents	10,117	10,599	481
Accounts receivable	14,853	15,251	397
Inventories	7,199	8,775	1,575
Fixed assets	28,044	25,258	(2,785)
Liabilities	30,999	31,169	169
Accounts payable and accrued expenses	7,526	8,726	1,199
Interest-bearing debt	18,447	17,258	(1,189)
Net assets	31,318	30,637	(680)
Common stock	7,996	7,996	–
Capital adequacy ratio	50.2%	49.6%	(0.6)%

<Consolidated> Cash Flow Position

Unit: Million yen

	FY2016	FY2017
Cash flow from operating activities	4,604	2,788
Working capital	59	(658)
Profit before taxes	1,241	570
Depreciation	4,381	4,187
Others	(1,077)	(1,311)
Cash flow from investing activities	(3,465)	(787)
Free cash flow	1,139	2,001
Cash flow from financing activities	(1,541)	(1,774)
Increase in interest-bearing debt	901	(1,185)
Increase (decrease) in treasury stock	(1,553)	(4)
Dividends paid	(889)	(594)
Initial balance	10,668	10,011
Final balance	10,011	10,482

Financial Forecast and Annual Dividend

%: Increase (decrease)
ratio to previous term

(1) Forecast of Consolidated Financial Results

	Net Sales		Operating Profit		Ordinary Profit		Net Profit (Loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	59,786	(5.1)	485	(23.0)	358	(74.4)	(288)	—
FY2018 Forecast	62,500	4.5	1,000	106.0	1,600	346.4	1,100	—

(2) Annual Dividend

	At second quarter end	At fiscal year end	Annual
FY2017	4.00 yen	4.00 yen	8.00 yen
FY2018 Forecast	—	5.00 yen	5.00 yen

FY2017 Result and FY2018 Prospect

President, CEO and COO

YASUMITSU IKEDA

SMK Executive Appointment <June 22, 2018>

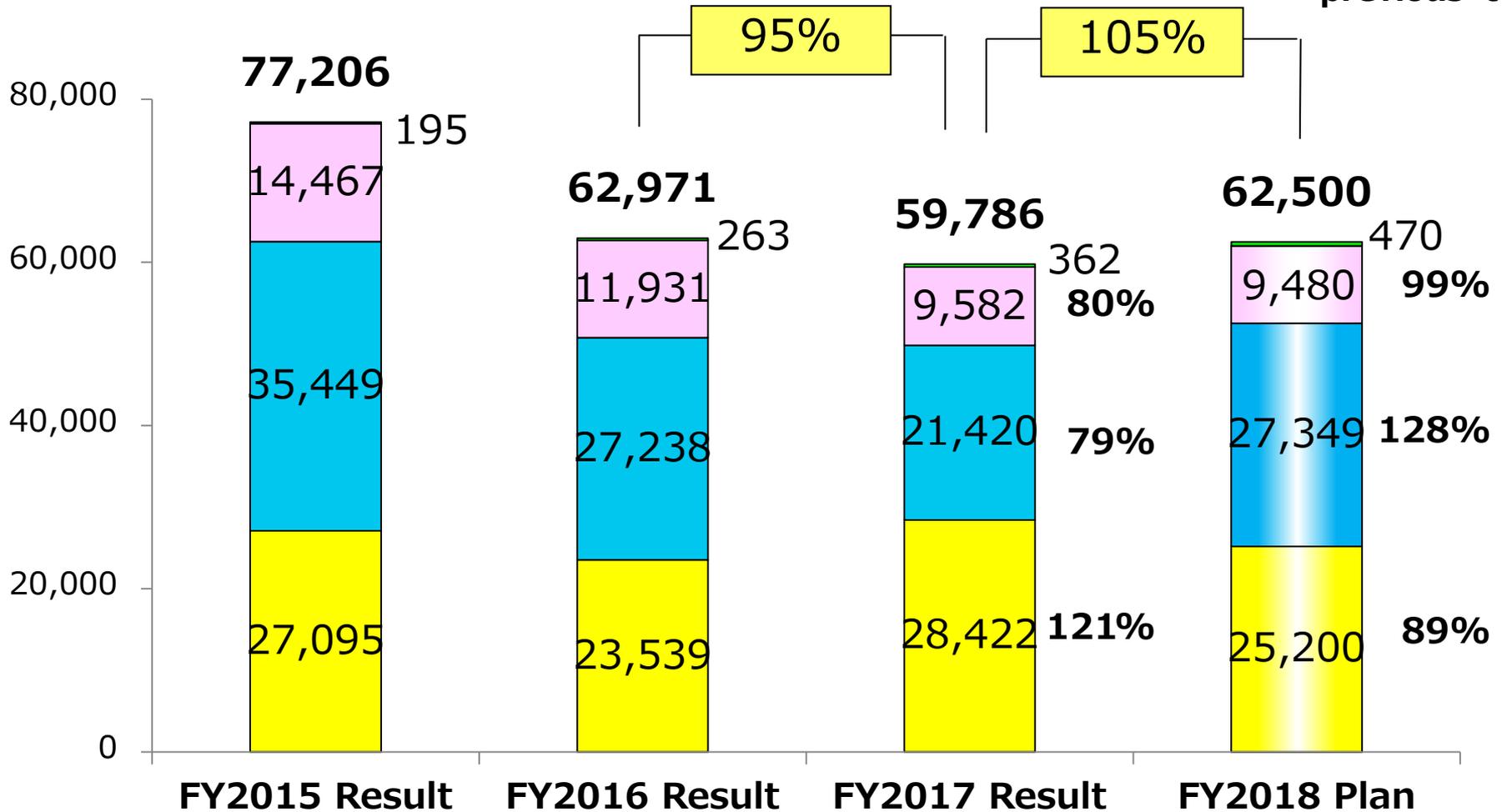
Promoted Vice President

New Post	Present Post	Name
<p data-bbox="117 454 606 582">Executive Vice President</p> <p data-bbox="73 648 620 793">Transnational CS Division, CS Division (Senior General Manager)</p>	<p data-bbox="720 508 1209 565">Vice President</p> <p data-bbox="672 644 1248 789">Transnational CS Division, CS Division (Senior General Manager)</p>	<p data-bbox="1311 584 1837 641">Masanobu Ikeo</p>
<p data-bbox="117 906 606 1035">Executive Vice President</p> <p data-bbox="73 1093 548 1289">Sales Division (Deputy Division Director), Marketing Department (General Manager)</p>	<p data-bbox="720 966 1209 1023">Vice President</p> <p data-bbox="672 1088 1147 1283">Sales Division (Deputy Division Director), Marketing Department (General Manager)</p>	<p data-bbox="1367 1056 1779 1113">Tetsuo Hara</p>

Net Sales by Product Division (FY2015-FY2018)

Unit: Million yen

?: Compared to previous term



Exchange rate

1USD=120.47JPY

108.74JPY

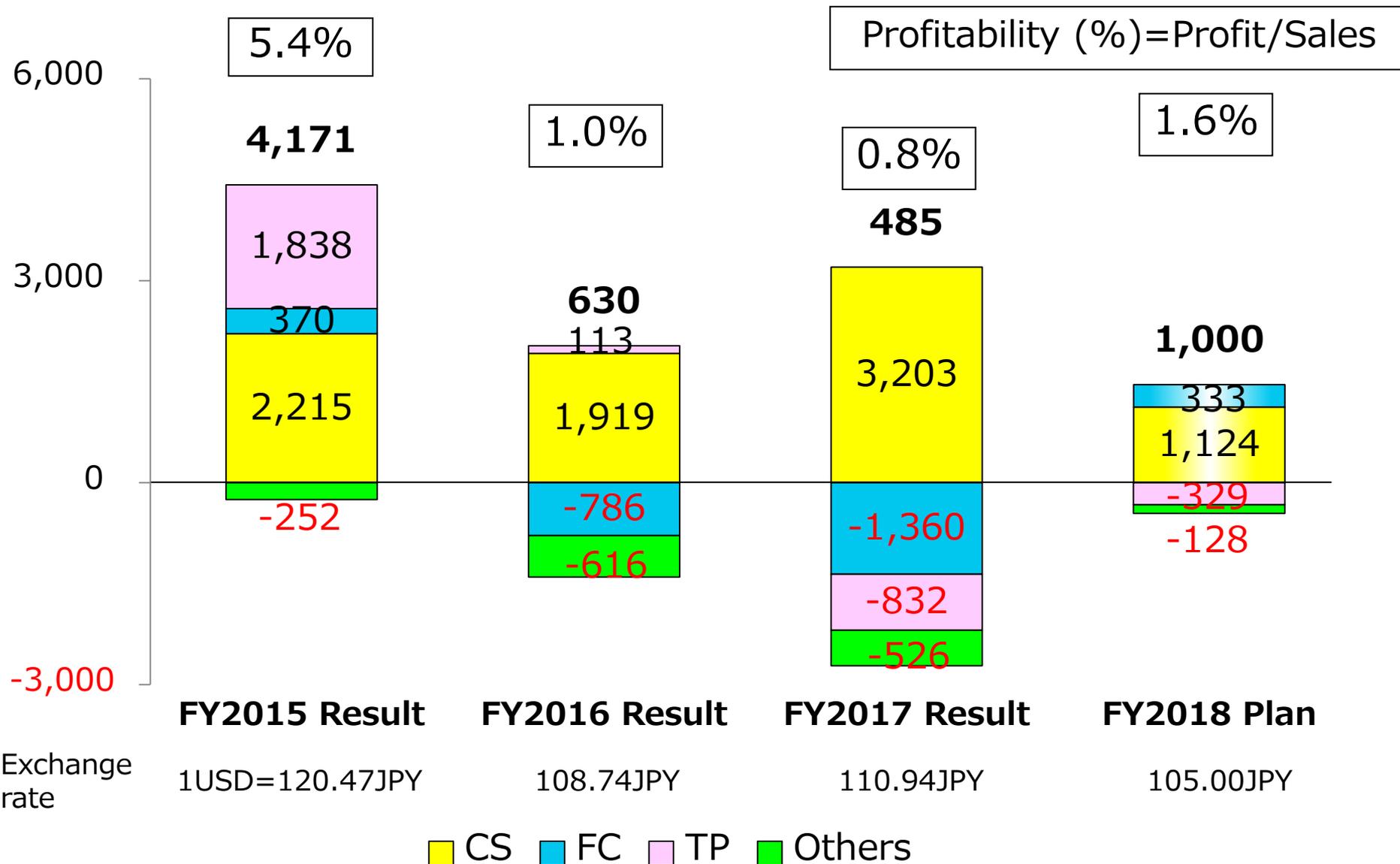
110.94JPY

105.00JPY

CS FC TP Others

Operating Profit by Product Division (FY2015-FY2018)

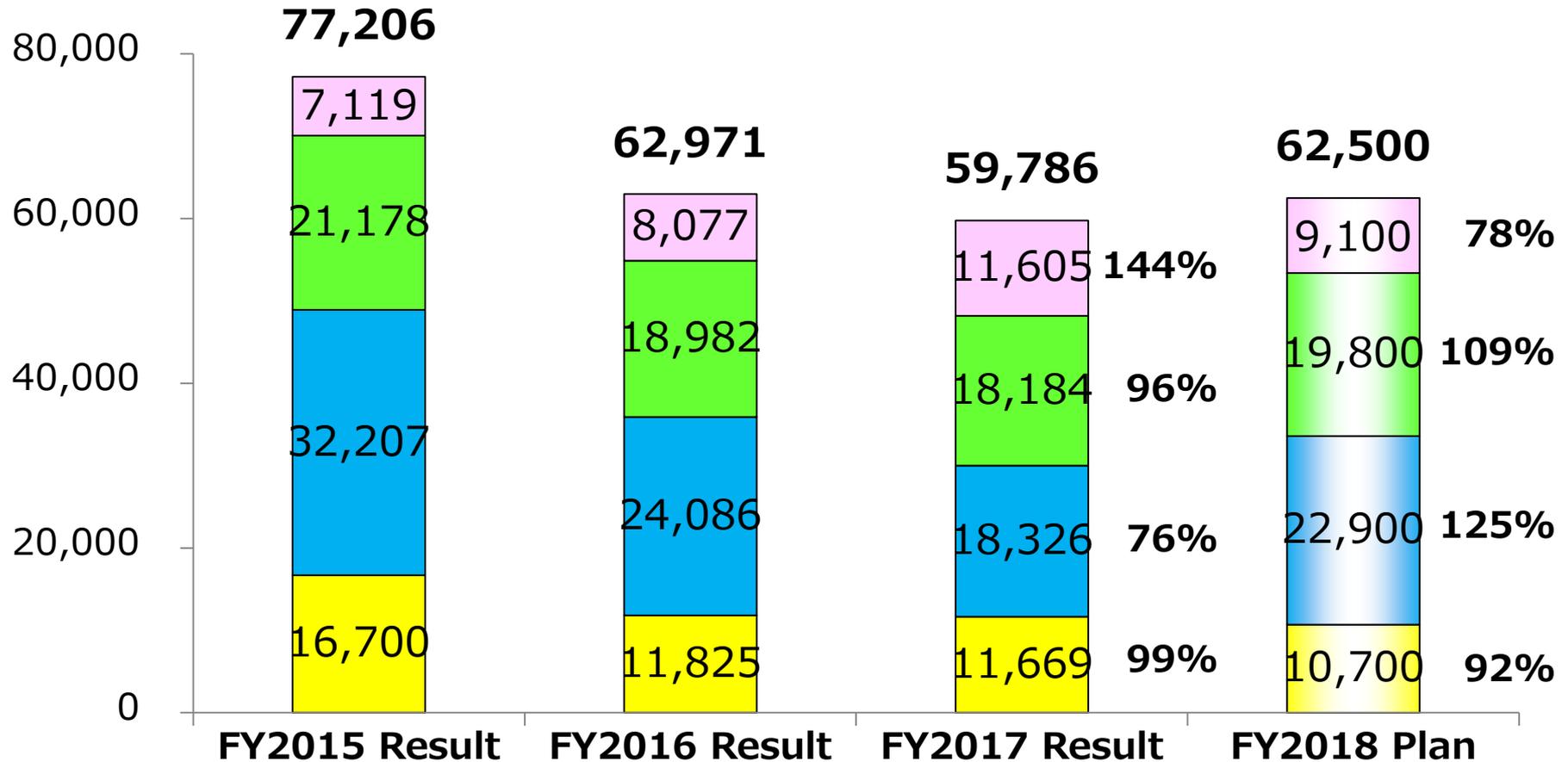
Unit: Million yen



Reference: Net Sales by Market (FY2015-FY2018)

Unit: Million yen

%: Compared to previous term



Exchange rate

1USD=120.47JPY

108.74JPY

110.94JPY

105.00JPY

■ ICT

■ Home Appliance

■ Car Electronics

■ Industry/Others

FY2018 Priority Matters

1. Short-term:

Revive Profitability

- ✓ Improve unprofitable business and deficit-ridden company
- ✓ Launch the new large project successfully
- ✓ Improve productivity, Realize quality level for car electronics

2. Mid- to long-term:

Realize New Growth

- ✓ Explore new markets, Create new business
- ✓ Achieve Open Innovation

Transformation of Japan/Overseas Bases

<JAPAN>

Integrate TP production in Toyama into MITEC (December 2017)

Enlarge production space for FC products at Hitachi Works (May 2018)

<CHINA>

Relocate China Technology Center (June 2017) and
Shenzhen factory (February 2018)

Expand Dongguan factory (July 2018)

<EUROPE/USA>

Terminate production at Hungary factory (April 2018)

Scale back New York sales office (May 2018),

Close US R&D Center (April 2018)

Integrate Milpitas warehouse and SMK-Link office (April 2018)

<ASIA>

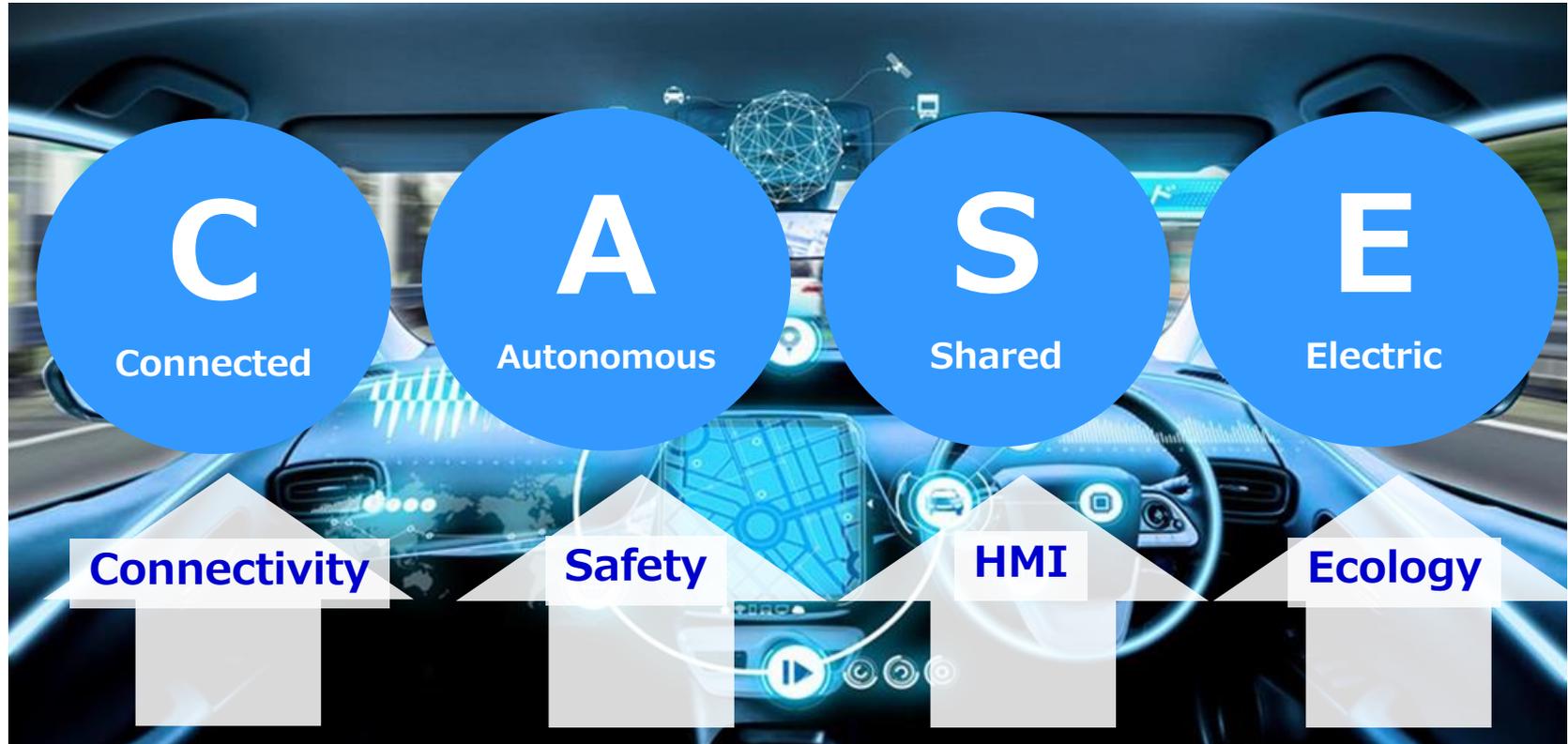
Change layout of Philippines factory (April 2018)

Expand Thailand sales office (August 2018)

Blue: Aggressive move

Black: Defensive move

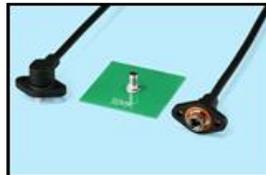
Approach to Car Electronics Market



High Speed Data Connector



IF Connector



Camera Connector



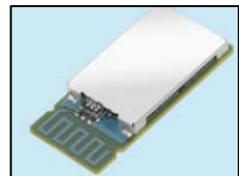
Capacitive Touch Panel



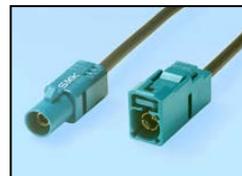
Metal-stamped Explosion Proof Valve



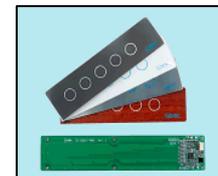
USCAR-30 Connector



RF Module



FAKRA Connector



Piezoelectric Touch Switch

Approach to Home Appliance Market

2018

2020

2022

IoT

4K/8K

5G



AI Speaker

4K/8K TV

VR (HMD)

Smart Home Appliance

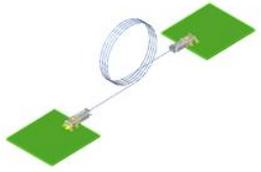
Smart Home



IR blaster



External Speaker



Active Optical Connector



USB Type-C™



DC Jack AD Jack



Controller



Small Capacitive Touch Panel & Controller IC



RF Module



Capacitive Switch



Theme for T97 Business Plan

***Break out of your shell
for new growth!***



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.

Notes on Trademark

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