



FY2022 Investor Briefing

CREATIVE CONNECTIVITY

—Challenge, Creativity, Solutions

SMK Corporation (6798)

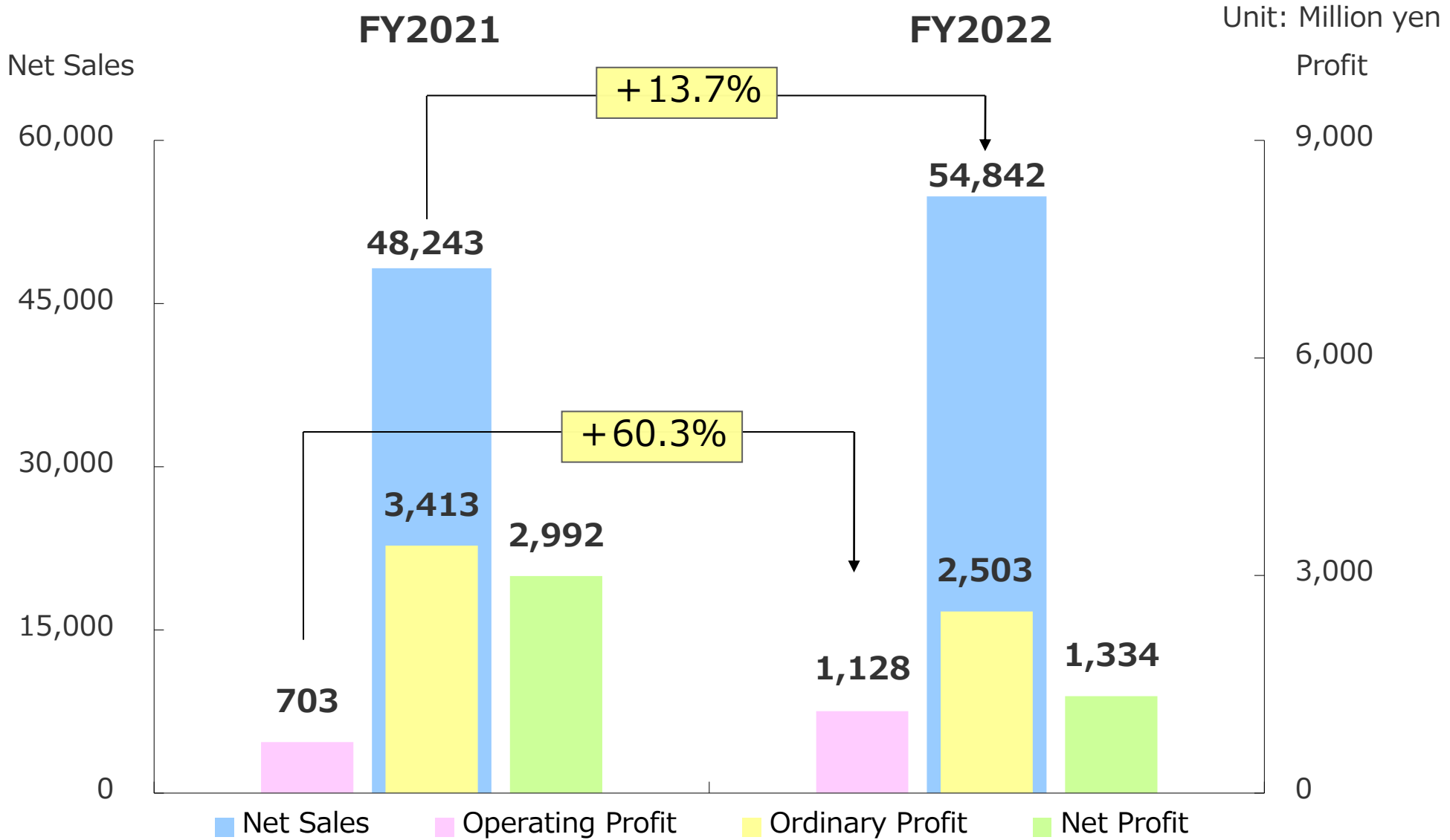
May 17, 2023

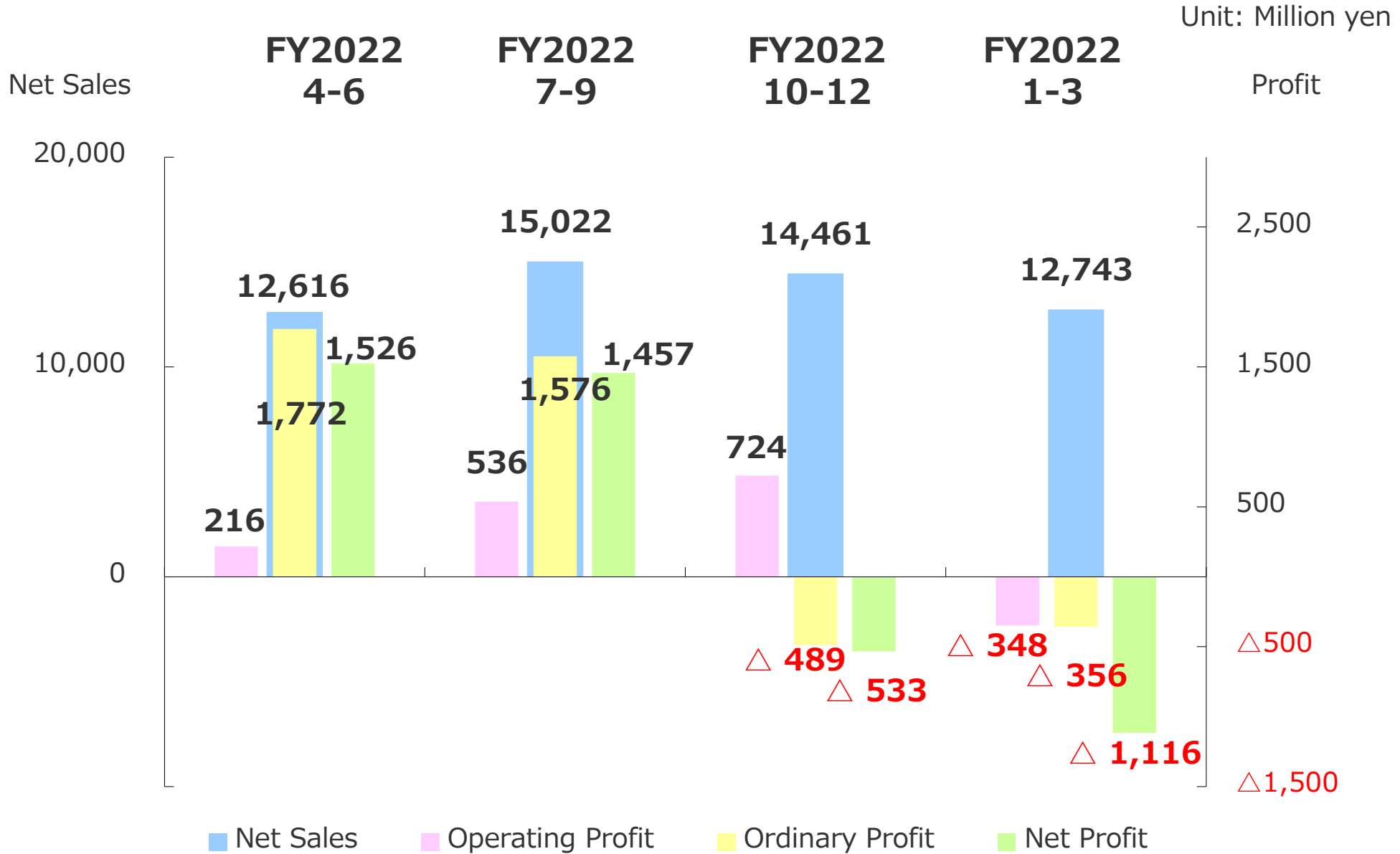
FY2022

Outline of Financial Statement

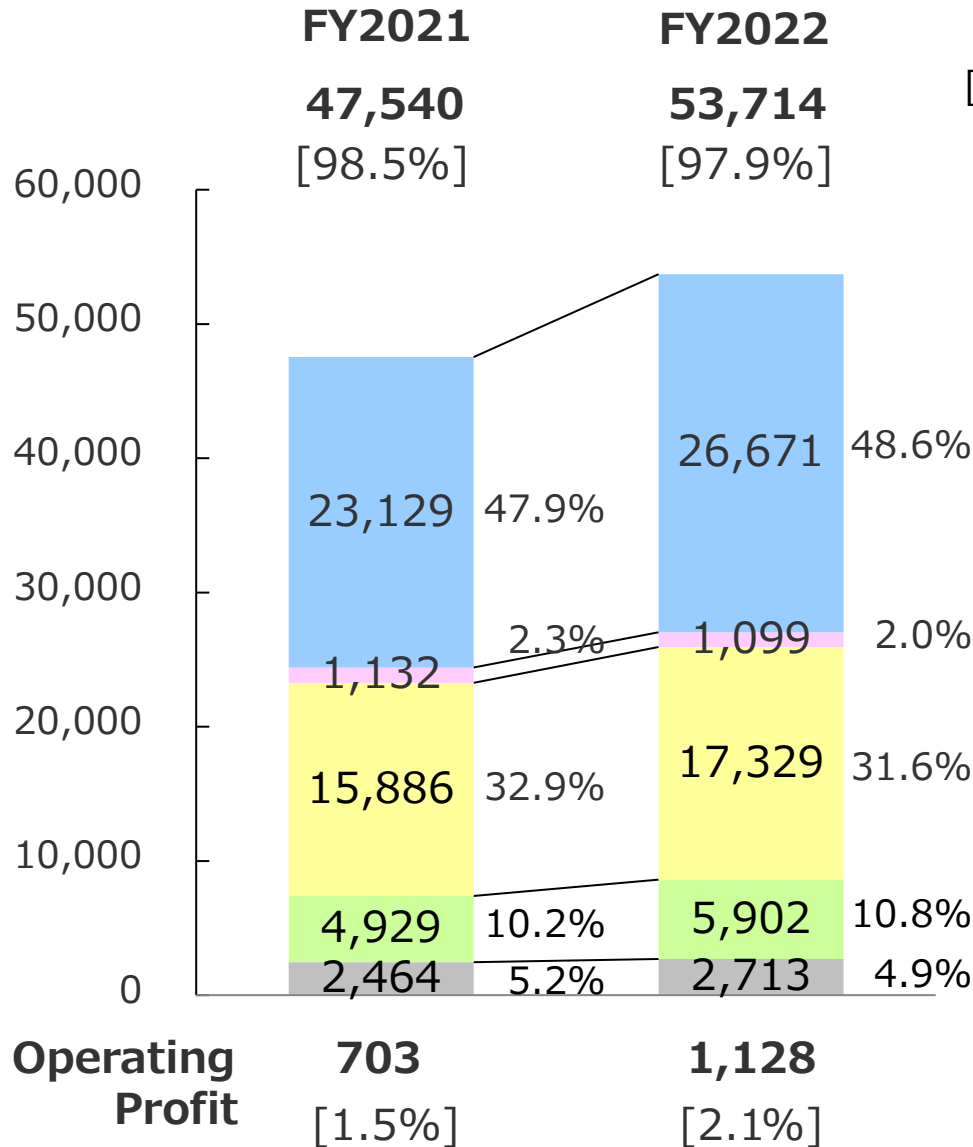
Executive Vice President and CFO

KOHEI OHGAKI





Unit: Million yen



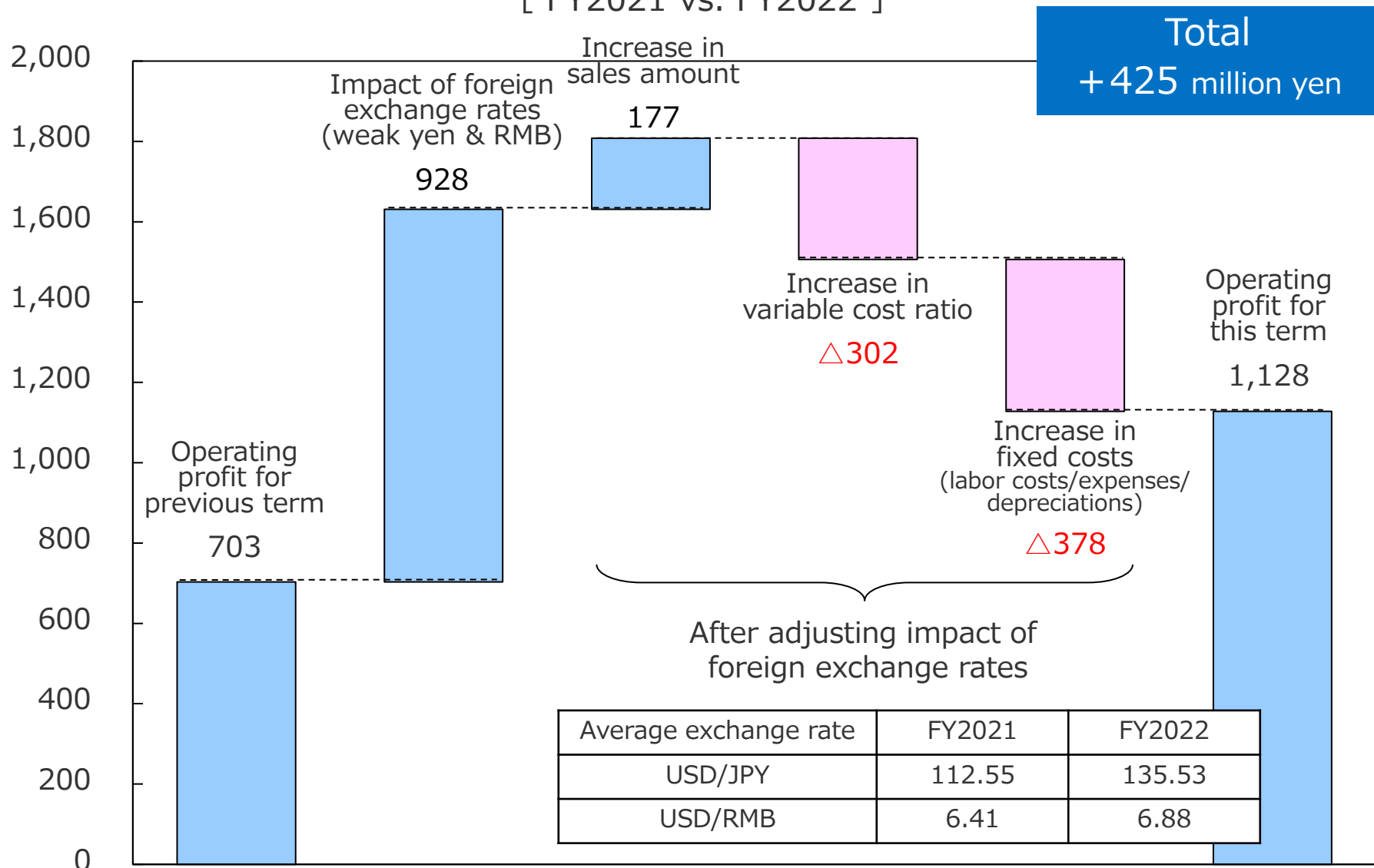
[]: Sales Ratio

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

- Raised by 0.4%
in ratio of material costs and
amount paid to subcontractors
50.2% → 50.6%
- Improved by 0.7%
in ratio of labor costs and expenses
43.1% → 42.4%

Analysis of factors for increase/decrease of operating profit [FY2021 vs. FY2022]

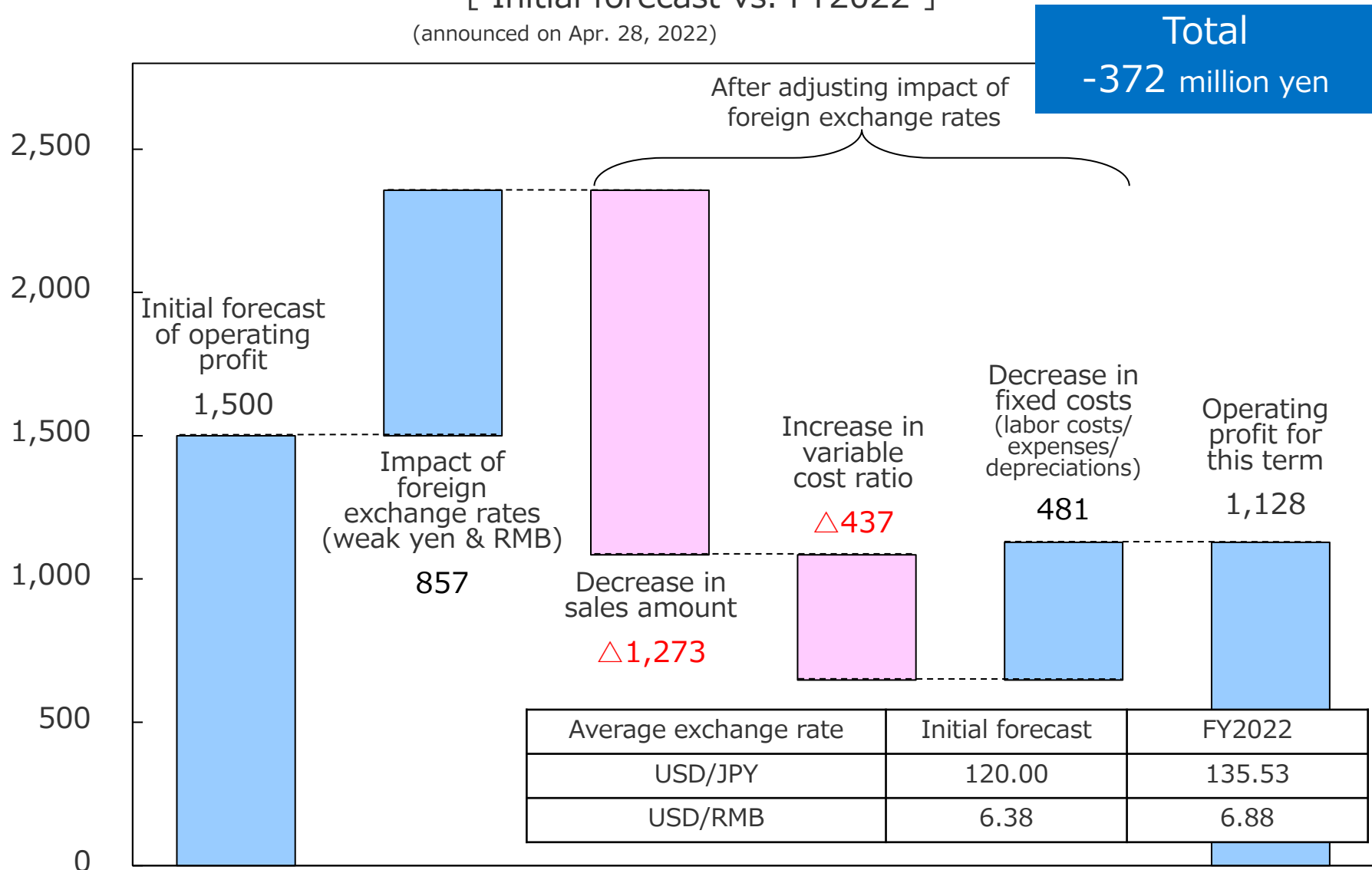
Unit: Million yen



Analysis of factors for increase/decrease of operating profit [Initial forecast vs. FY2022]

Unit: Million yen

(announced on Apr. 28, 2022)



Unit: Million yen

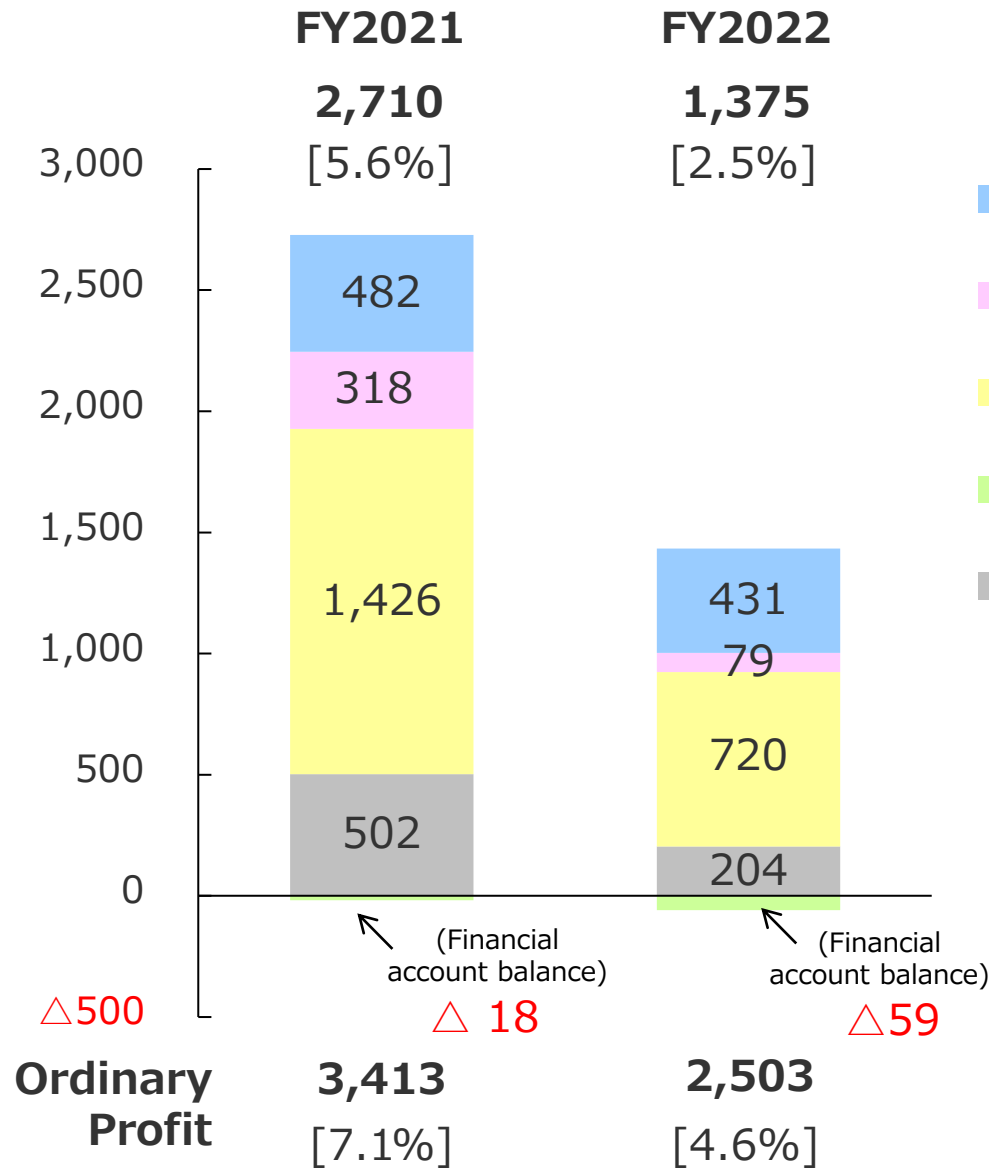
[]: Sales Ratio

- Revenue from and expenditure to real estates
- Employment adjustment subsidy
- Foreign exchange gain/loss
- Financial account balance
- Others (Gain/loss on valuation of investment funds, etc.)

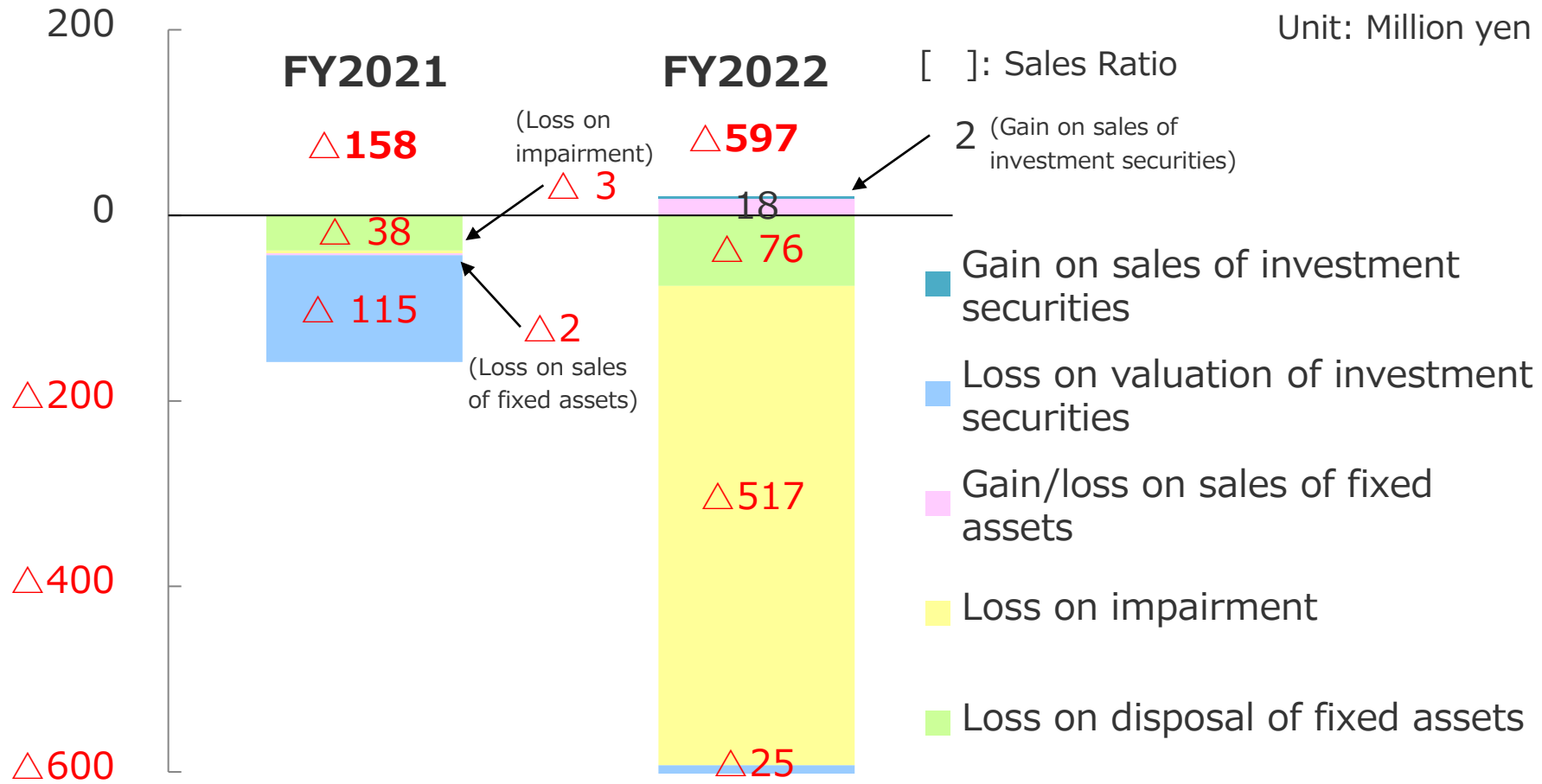
Foreign exchange gain 1,426 → 720

Exchange rates at the beginning
vs. at the end of the term

	FY2021	FY2022
USD/JPY	Yen weakened by 11.68	Yen weakened by 11.14
USD/RMB	Yuan strengthened by 0.22	Yuan weakened by 0.53



Unit: Million yen



Profit before taxes	3,254	1,906
Income taxes	△262	△571
Net Profit	2,992	1,334
	[6.2%]	[2.4%]

FY2022

Unit: Million yen

	Reporting Segment				Others*	TOTAL
	CS Division	SCI Division	R&D Center	Total		
Net Sales	19,997	34,482	339	54,819	23	54,842
Operating Profit/Loss (△)	894	393	△160	1,127	1	1,128

FY2021

	Reporting Segment				Others*	TOTAL
	CS Division	SCI Division	R&D Center	Total		
Net Sales	19,543	28,387	309	48,239	4	48,243
Operating Profit/Loss (△)	1,036	△135	△196	703	0	703

*Others: Other components business, lease, real-estate rental, and worker dispatching undertaking

Unit: Million yen

	Mar. 2022 (A)	Mar. 2023 (B)	Differential (B – A)
Assets	54,794	56,365	1,571
Cash and cash equivalents	8,555	8,969	414
Accounts receivable	12,800	13,176	376
Inventories	9,545	10,073	528
Fixed assets	23,063	23,113	50
Liabilities	24,150	24,090	△60
Accounts payable and accrued expenses	6,977	6,652	△325
Interest-bearing debt	12,608	12,817	209
Net assets	30,643	32,274	1,631
Common stock	7,996	7,996	–
Capital adequacy ratio	55.9%	57.3%	1.4%

Unit: Million yen

	FY2021	FY2022
Cash flow from operating activities	2,433	3,591
Working capital	△2,799	△758
Profit before taxes	3,254	1,906
Depreciation	2,696	2,884
Others	△718	△441
Cash flow from investing activities	△1,631	△1,944
Free cash flow	801	1,647
Cash flow from financing activities	△971	△862
Increase/decrease in interest-bearing debt	△168	△422
Increase/decrease in treasury stock	△479	△1
Dividends paid	△323	△438
Initial balance	8,742	8,505
Final balance	8,505	8,915

%: Increase/decrease ratio
to previous term

(1) Forecast of Consolidated Financial Results

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022	54,842	13.7	1,128	60.3	2,503	△26.7	1,334	△55.4
FY2023 Forecast	55,000	0.3	1,100	△2.5	1,600	△36.1	1,100	△17.6

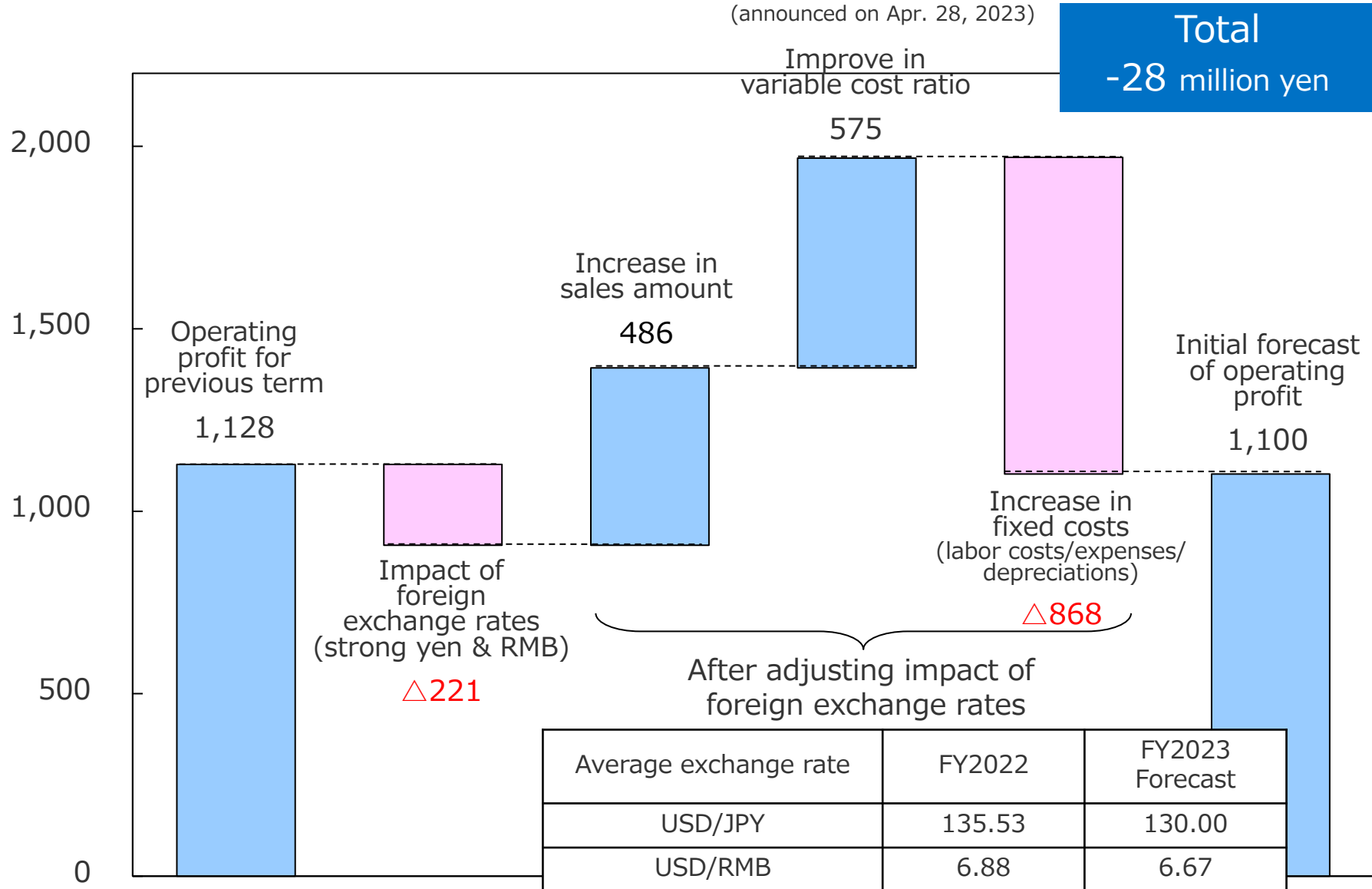
(2) Annual Dividend

	At second quarter end	At fiscal year end	Annual
FY2022	<u>0.00 yen</u>	<u>100.00 yen</u>	<u>100.00 yen</u>
FY2023 Forecast	<u>50.00 yen</u>	<u>50.00 yen</u>	<u>100.00 yen</u>

[FY2022 vs. FY2023]

(announced on Apr. 28, 2023)

Unit: Million yen



FY2022 Result and **FY2023 Prospect**

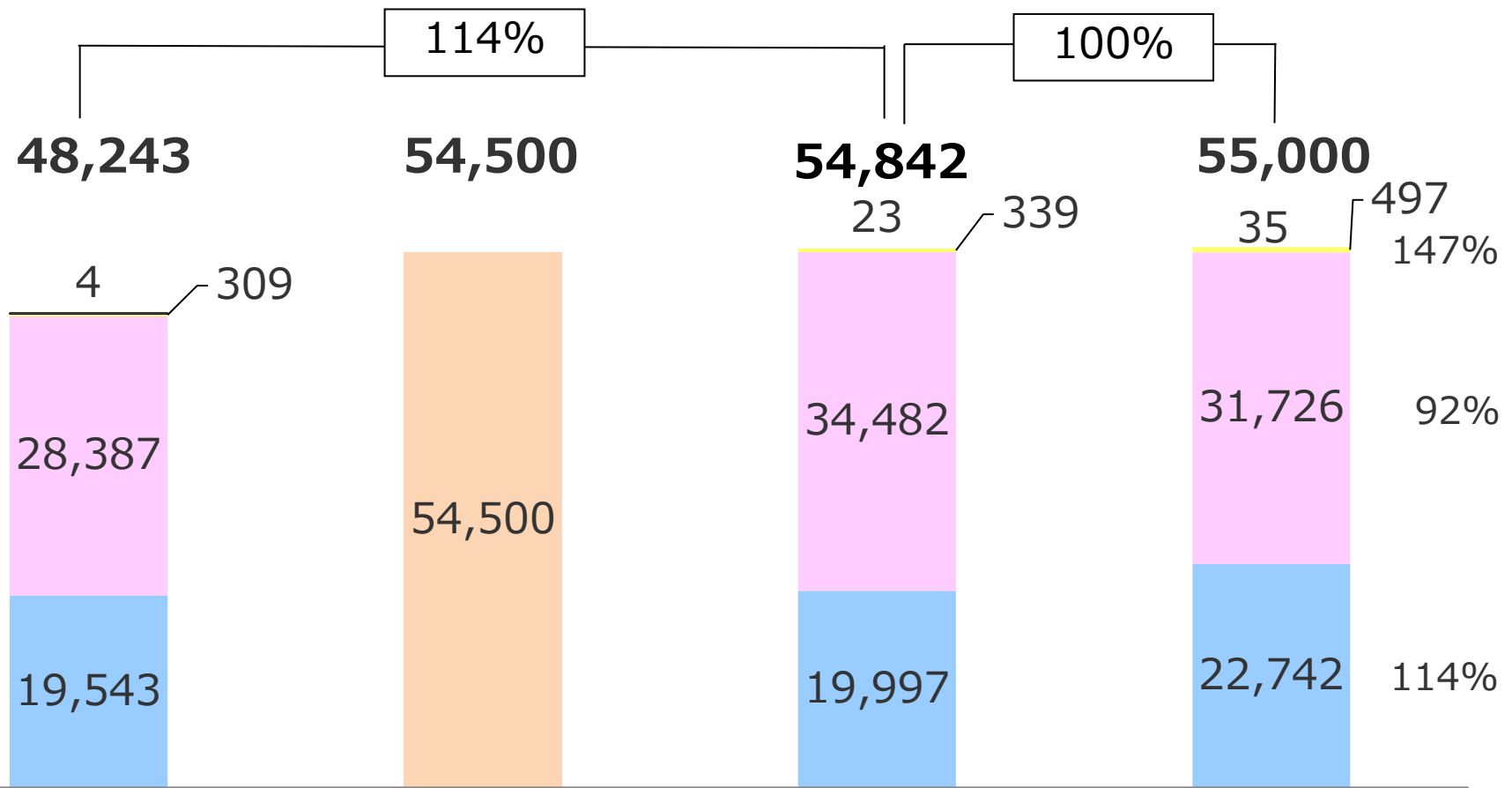
President, CEO and COO

YASUMITSU IKEDA

Net Sales by Product Div. (FY2021-FY2023)

Unit: Million yen

?: Compared to previous term



FY2021 Result

FY2022 Forecast revised in Jan. 2023

FY2022 Result

FY2023 Forecast

Exchange rate

112.55JPY/USD

130.00JPY/USD

135.53JPY/USD

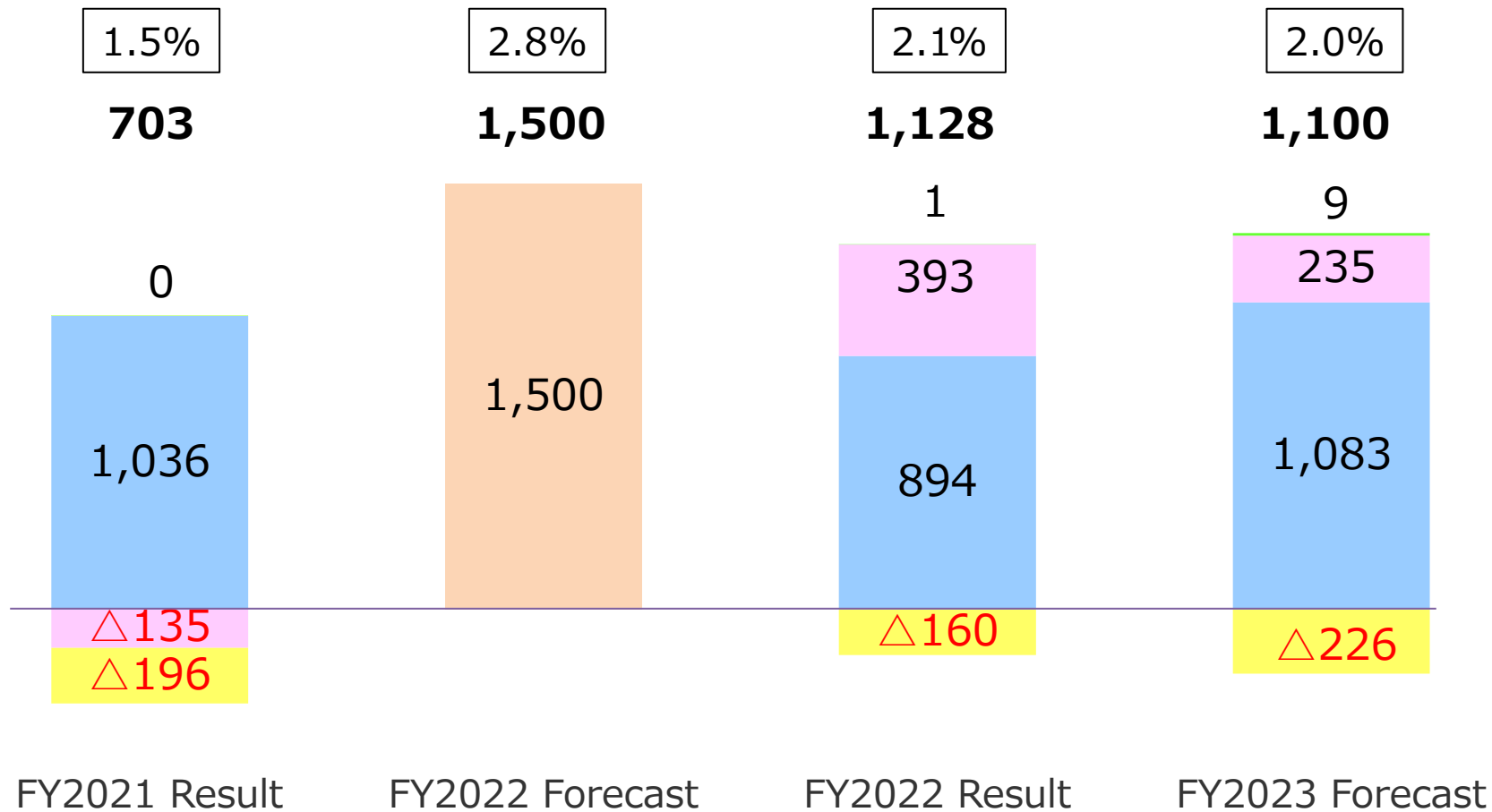
130.00JPY/USD

CS SCI R&D Others

Operating Profit by Product Div. (FY2021-FY2023)

Unit: Million yen

Profitability (%) = Profit/Sales



FY2021 Result

FY2022 Forecast revised in Jan. 2023

FY2022 Result

FY2023 Forecast

Exchange rate

112.55JPY/USD

130.00JPY/USD

135.53JPY/USD

130.00JPY/USD

CS SCI R&D Others

Unit: Million yen

48,243 **54,842** **55,000**

4,587

17,321

16,912

9,421

FY2021
Result

54,842

4,834

20,879

21,182

7,946

FY2022
Result

55,000

4,710

19,950

20,450

9,890

FY2023
Forecast

Exchange rate 112.55JPY/USD

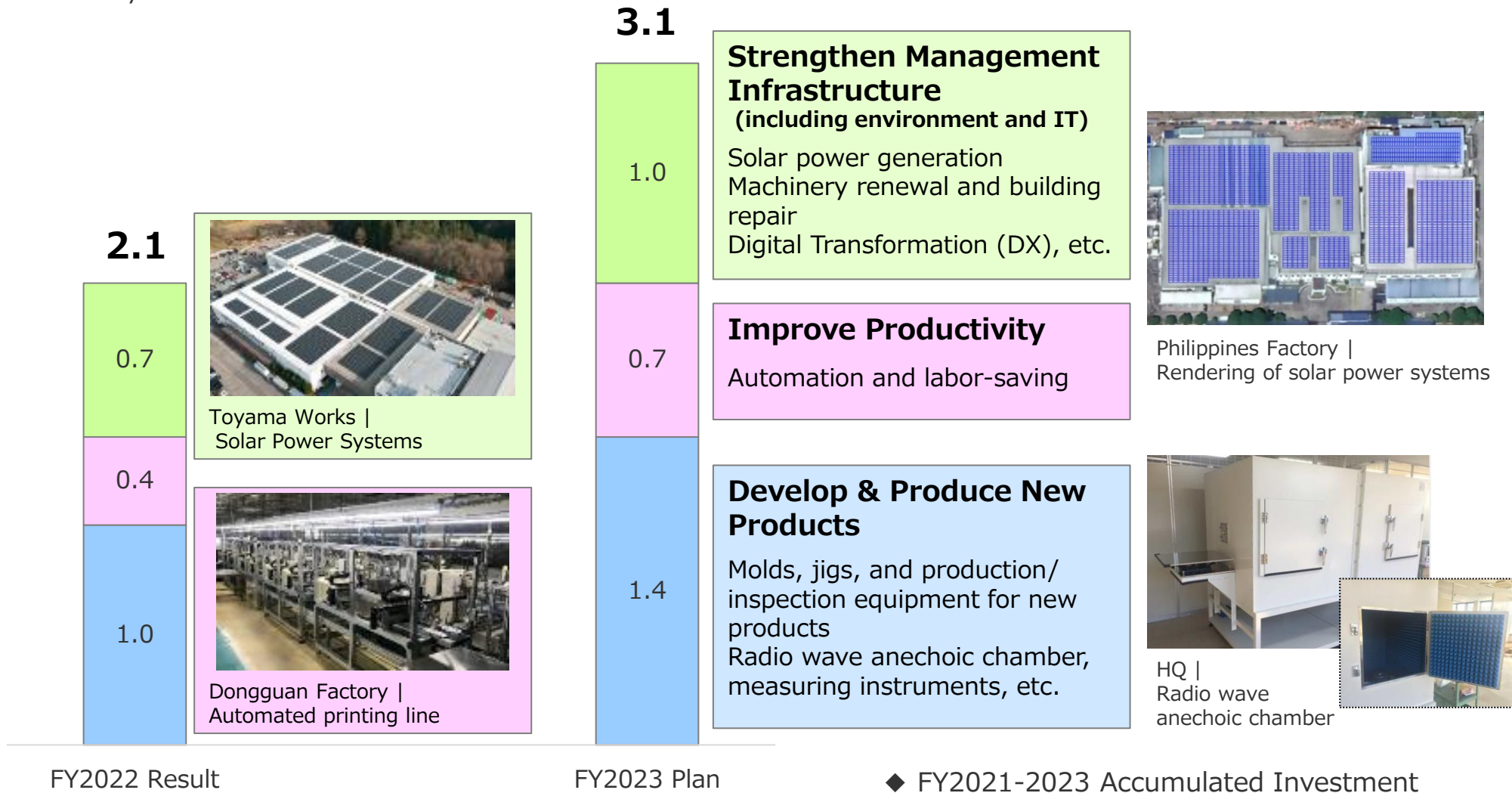
135.53JPY/USD

130.00JPY/USD

■ ICT ■ Home Appliance ■ Car Electronics ■ Industry/Others

	FY2023 YoY Growth	FY2023 Factors for Increase/Decrease (vs. FY2022)	FY2023 Key Target
Industry/ Others	97%	<ul style="list-style-type: none"> - Touch sensors for all-in-one printers + Units for photovoltaic systems 	<ul style="list-style-type: none"> • Renewable energy • Healthcare • IoT device
Car Electronics	96%	<ul style="list-style-type: none"> - Touch sensors - Camera modules + Connectors for electrical devices + Control units 	<ul style="list-style-type: none"> • ADAS • V2X • EV/PHEV • TCU
Home Appliance	97%	<ul style="list-style-type: none"> - Remote controls and units for housing equipment - Remote controls for STBs + Remote controls for white goods 	<ul style="list-style-type: none"> • White goods • Housing equipment • Gaming device • Smart home
ICT	124%	<ul style="list-style-type: none"> + Connectors for tablets + Connectors for smartphones + Connectors for wearables 	<ul style="list-style-type: none"> • Smartphone/tablet • 5G • Wearable • VICs in China and the U.S.

Unit: Billion yen

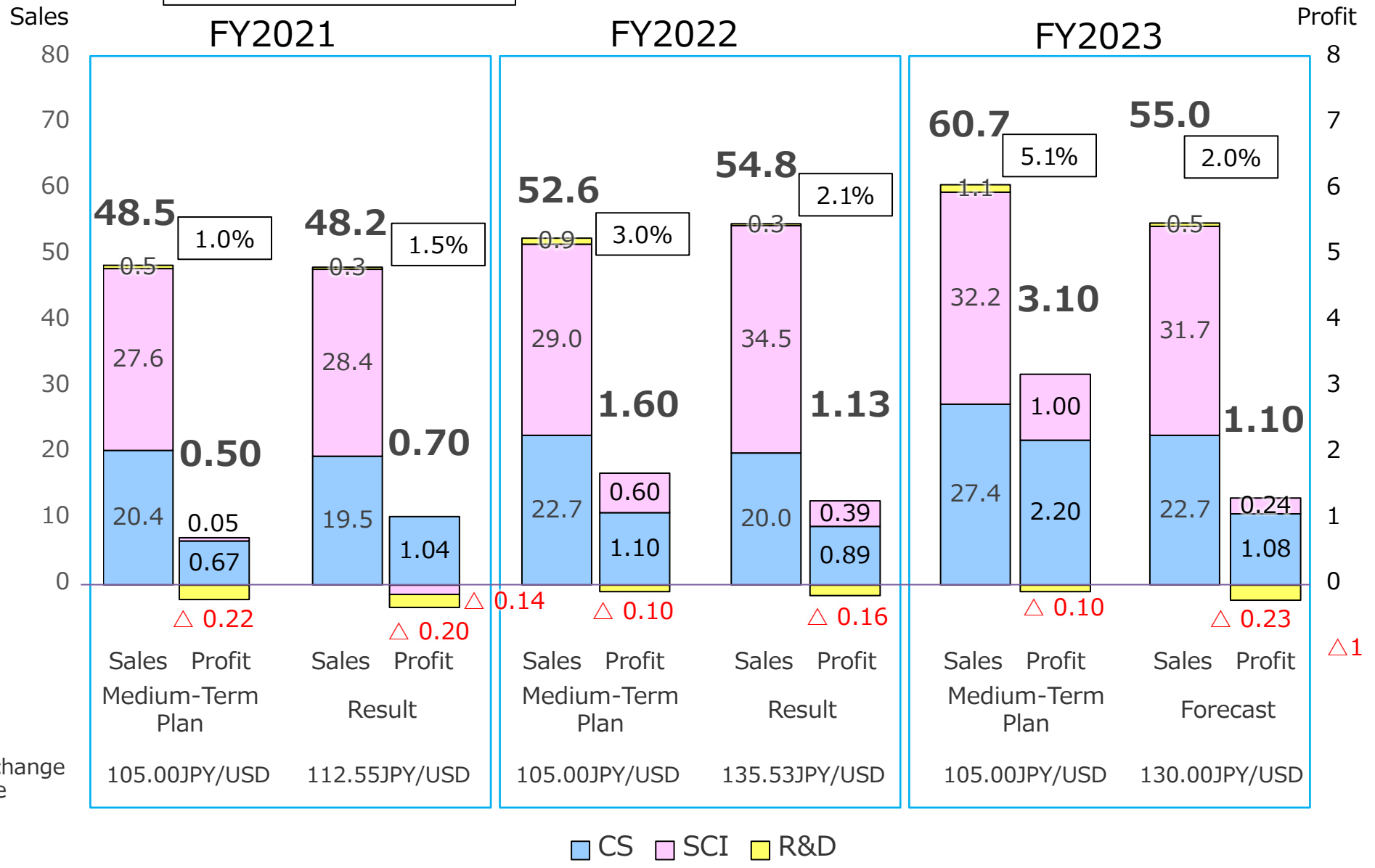


◆ FY2021-2023 Accumulated Investment

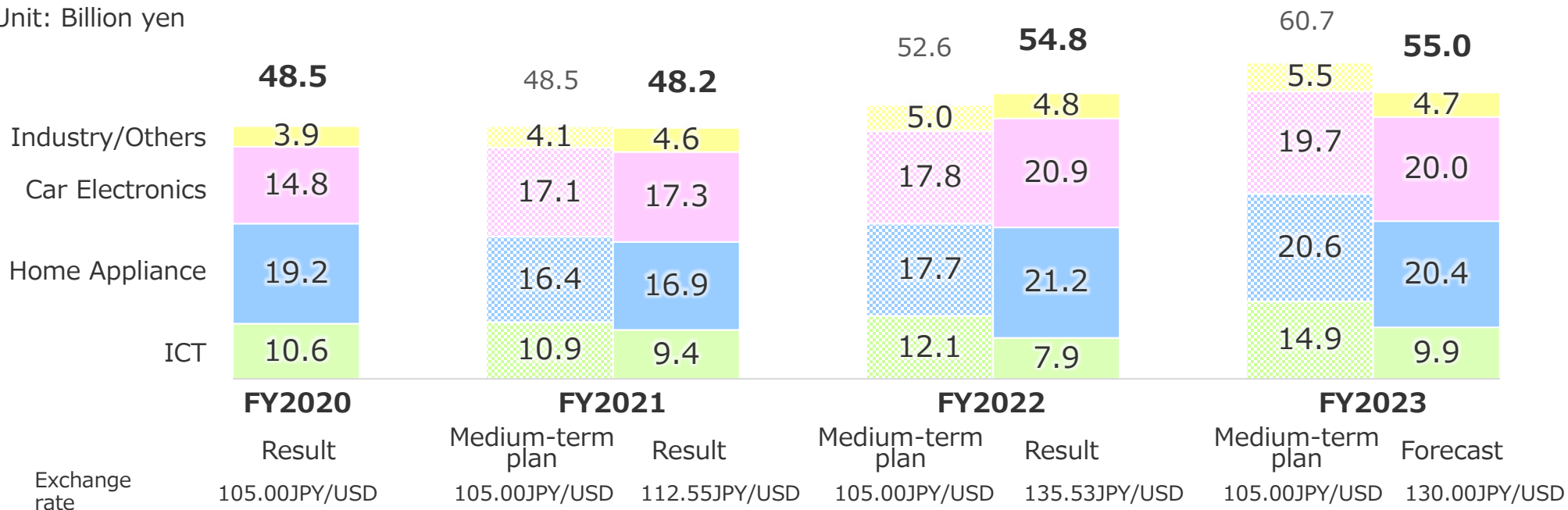
Medium-term plan	Results estimate
9.6 billion yen	7.1 billion yen

Unit: Billion yen

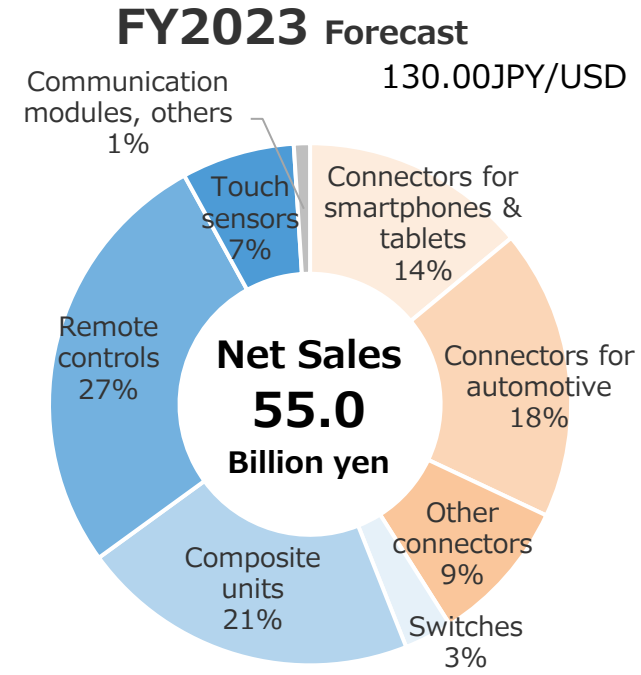
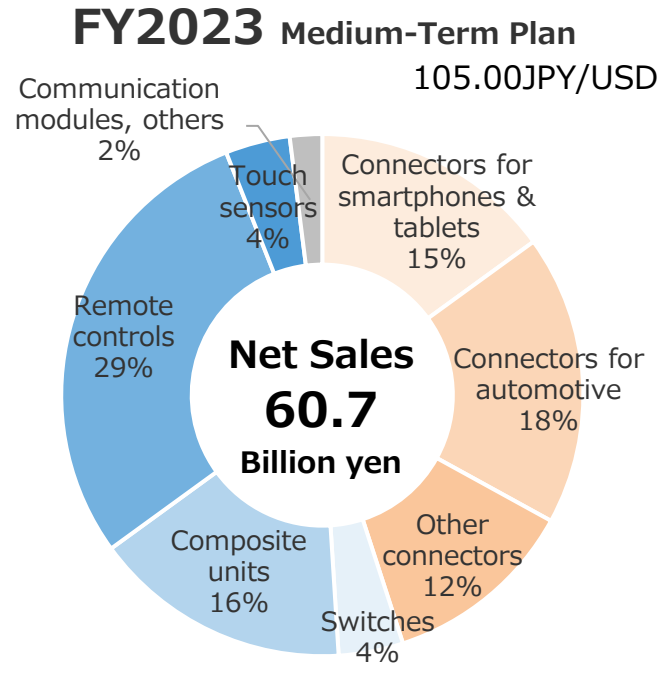
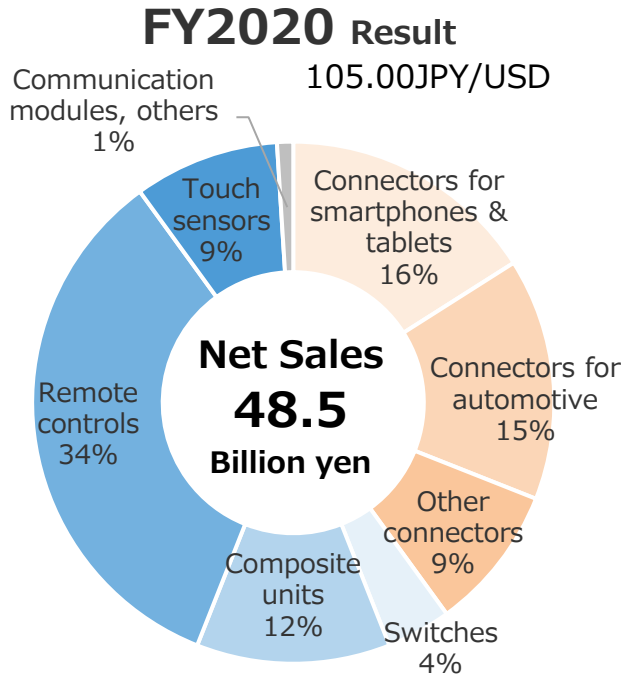
Operating profit ratio (%)



Unit: Billion yen


◆ FY2023 Forecast vs. FY2023 Medium-Term Plan

ICT	<ul style="list-style-type: none"> — RF connectors for 5G: Market of “real” 5G smartphones has not yet expanded. — Textile connectors and units for wearable: Market has yet to take off. — Connectors for smartphones: Demand is declining due to worsening market conditions.
Home Appliance	<ul style="list-style-type: none"> + Remote controls for sanitary and smart appliances: Expanding steadily. — Remote controls for STBs: No progress in acquiring new business from large customers.
Car Electronics	<ul style="list-style-type: none"> + Camera connectors and control units: Expanding steadily. — Automotive connector for Chinese customers: Sales growth delayed due to deteriorating market conditions, delay in mass production, etc.
Industry/Others	<ul style="list-style-type: none"> — Struggling to develop new markets such as IoT wireless module or healthcare-related unit.



Mainstay Products

- **Automotive camera connectors continued to grow**
- **Connectors for tablets performed well**
- **Automotive touch sensors declined**

- Board to wire connectors (for tablets)
- Automotive camera connectors (analog & digital)
- Connectors for gaming devices
- Remote controls (for IP-STBs, housing facilities, etc.)
- Automotive touch sensors (capacitive)

Mainstay Products

- **Expand lineup of automotive connectors**
- **Develop and receive order for connectors for 5G**
- **Receive order for sensors**

- RF connectors for 5G
- Automotive camera connectors (digital)
- Connectors for wearable (textile)
- Automotive control units
- Healthcare-related units
- Remote controls (Wireless power transfer)

Progress

- **Automotive connectors and control units: Expanding steadily**
- **RF connectors for 5G: "Real" 5G smartphone market has not yet expanded.**
- **Healthcare-related units: Transition from PoC to mass production has been delayed.**

- - RF connectors for 5G: Market yet to expand
- + Connectors for automotive, BMS: Expanding steadily
- - Textile connectors for wearable: Market yet to take off
- + Automotive control units: Expanding steadily
- + Sensor units for new markets: Expanding
- - Remote controls for housing facilities and IP-STBs: Shrinking

Initiatives	Details
Improve Productivity	<ul style="list-style-type: none"> - Improve production per head in the production departments Target: FY2023 115% (vs. FY2020) FY2022 result Overseas: 122%, Japan 104% FY2023 plan Overseas: 130%, Japan 110%
Improve Quality	<ul style="list-style-type: none"> - Strengthen prevention of quality complaints Number of quality complaints: FY2022 result 55% (vs. FY2020) Cost of quality: FY2022 result 50% (vs. FY2021)
Increase Work Efficiency	<ul style="list-style-type: none"> - Update core system - Introduce RPA FY2022 result Japan: 55 cases, Overseas: 28 cases
Reform Personnel System	<ul style="list-style-type: none"> - Introduce new wage system (Japan) - Conduct management training - Conduct employee engagement survey and consider measures to improve engagement
Promote Environmental Actions	<ul style="list-style-type: none"> - Reduce CO₂ emissions (vs. FY2020) Emissions per unit of production FY2023 target 12+% reduction FY2022 result reduced by 33% Emissions FY2023 target 20,845t-CO₂ (37% reduction) FY2022 result 24,008t-CO₂ (reduced by 27%) - Accelerate the shift to renewable energy Result Installed solar power systems at Toyama and Hitachi Works in Feb. 2023. Plan Install the systems at the Philippines, Mexico, and Malaysia factories in FY2023.

1. Generate sales and profit through enhanced transnational activities.
2. Develop a new strategy to achieve sustainable growth.
3. Promote ESG management.

1. Evaluation by ESG Rating Agencies

ESG Ratings	SMK Score	Industry Average
S&P Global As of May 15, 2023	33 E: 43 S: 30 G: 26	20 E:20 S:18 G:21 Industry: ITC Electronic Equipment, Instruments & Components
CDP Climate Change 2022	B-	C Activity Group: Electrical & electronic equipment
FTSE Russel	2.5 E: 2.4 S: 2.1 G: 3.0	2.3 E: 1.7 S: 2.0 G: 3.4 Sub Sector: Electrical Components & Equipment

2. Disclosure of ESG Data

Launched a new page "ESG DATA" on the SMK website on March 10, 2023.



https://www.smk.co.jp/csr/esg_data/

The screenshot displays the SMK ESG Data website interface. It includes a navigation menu at the top with options like 'ESGデータ集', '環境データ', and '社会データ'. The main content area is divided into several sections:

- ESGデータ集**: A section for ESG data collection, mentioning that data is available for the top 100 companies in the industry.
- E - 環境データ**: Environmental data section, featuring a table with columns for '項目' (Item), '単位' (Unit), '2022年度' (FY2022), '2021年度' (FY2021), and '2020年度' (FY2020). It lists metrics such as CO2 emissions (Scope 1-2), Scope 1, Scope 2, and water usage.
- S - 社会データ**: Social data section, featuring a table with columns for '項目' (Item), '単位' (Unit), '2022年度' (FY2022), '2021年度' (FY2021), and '2020年度' (FY2020). It lists metrics such as employee numbers, diversity, and training hours.
- G - ガバナンスデータ**: Governance data section, featuring a table with columns for '項目' (Item), '単位' (Unit), '2022年度' (FY2022), '2021年度' (FY2021), and '2020年度' (FY2020). It lists metrics such as board composition and executive compensation.

Unit: Billion yen		FY2020	FY2021		FY2022		FY2023	
		Result	Medium-Term Plan	Result	Medium-Term Plan	Result	Medium-Term Plan	Forecast
Net Sales	CS	19.8	20.4	19.5	22.7	20.0	27.4	22.7
	SCI	28.4	27.6	28.4	29.0	34.5	32.2	31.7
	R&D	0.3	0.5	0.3	0.9	0.3	1.1	0.5
	Total incl. others	48.5	48.5	48.2	52.6	54.8	60.7	55.0
Operating Profit	CS	1.44	0.67	1.04	1.1	0.89	2.2	1.08
	SCI	-0.07	0.05	-0.14	0.6	0.39	1.0	0.24
	R&D	-0.29 <small>* There is change in reporting segment</small>	-0.22	-0.20	-0.1	-0.16	-0.1	-0.23
	Total incl. others	1.07	0.50	0.70	1.6	1.13	3.1	1.10
	Ratio	2.2%	1.0%	1.5%	3.0%	2.1%	5.0%	2.0%
Ordinary Profit		2.6	1.0	3.4	2.1	2.5	3.5	1.6
Net Profit		1.9	0.7	3.0	1.5	1.3	2.5	1.1
ROE		7.3%	2.5%	10.2%	5.0%	4.2%	8.0%	3.4%
ROA		5.2%	2.0%	6.5%	4.0%	4.5%	6.0%	2.8%
Average Exchange Rate (1USD=)		105.87 yen	108 yen	112.55 yen	105 yen	135.53 yen	105 yen	130.00 yen

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.

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