

Business Report for FY2014



Apr 30, 2015



CREATIVE CONNECTIVITY
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FY2014 Outline of Financial Statement

Executive Vice President and CFO

KOHEI OHGAKI

<Consolidated> Financial Result

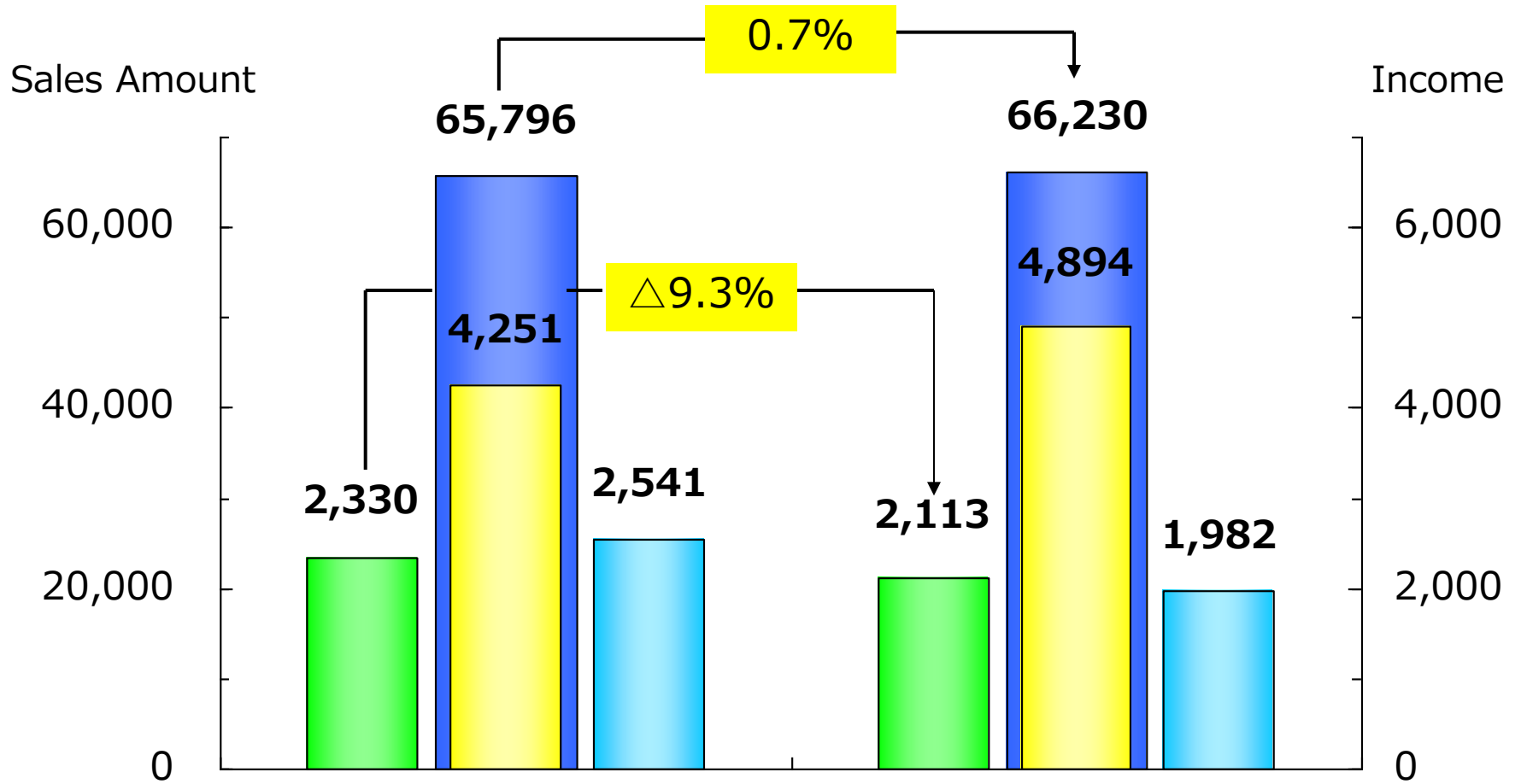
FY2013

FY2014

Unit : Million yen

Sales Amount

Income



■ Net Sales

■ Operating Income

■ Ordinary Income

■ Net Income

<Consolidated> Operating Expenses

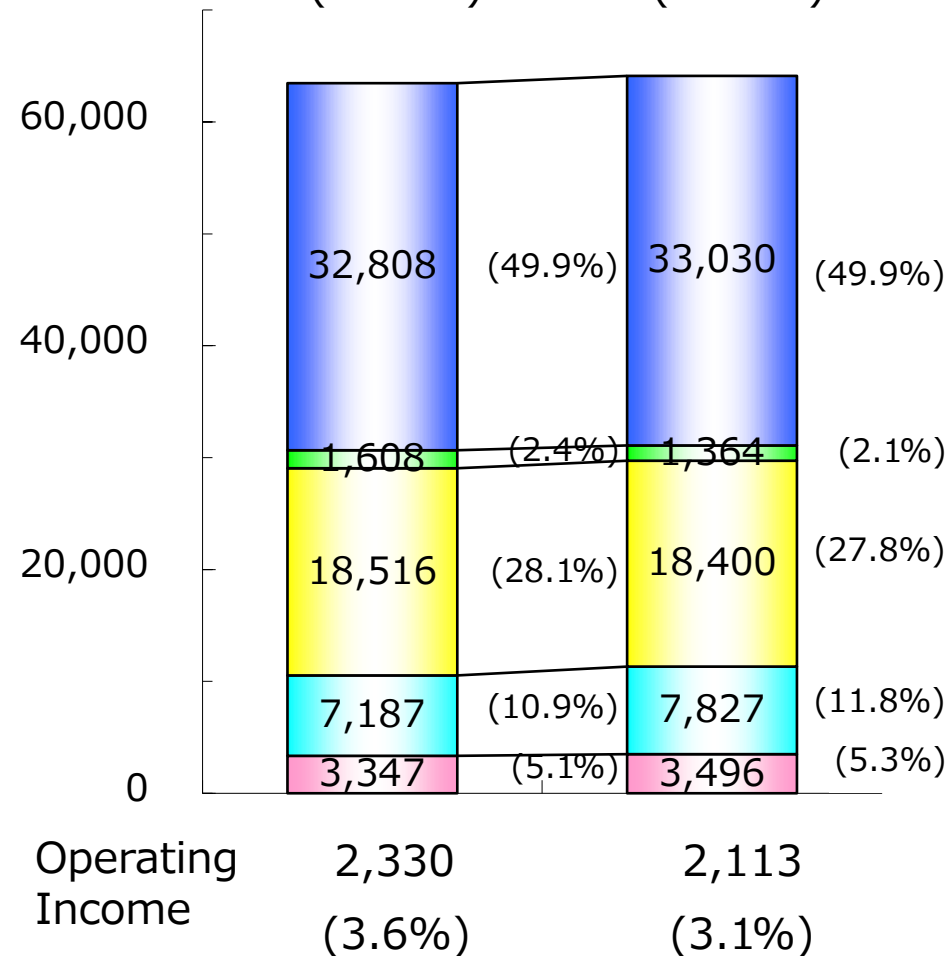
Unit : Million yen

FY2013
63,466
(96.4%)

FY2014
64,117
(96.9%)

(): Sales Ratio

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

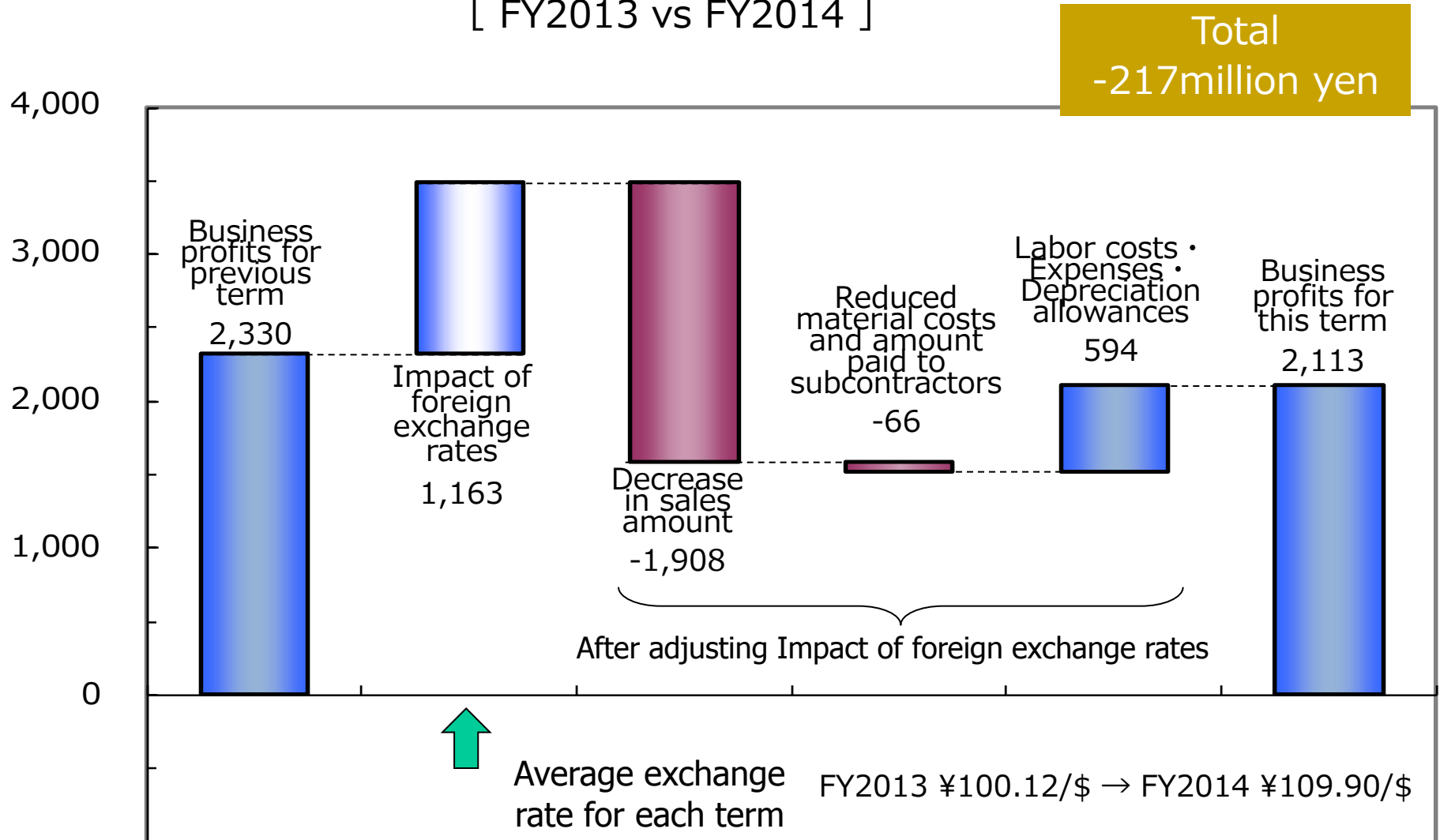


- Labor costs -116 million yen
(Impact of a weak yen +709 million yen)
Decrease of retirement benefit cost
- Expenses +640 million yen
(Impact of a weak yen +410 million yen)
Increase of research and development cost

<Consolidated> Analysis of Sales Expenses

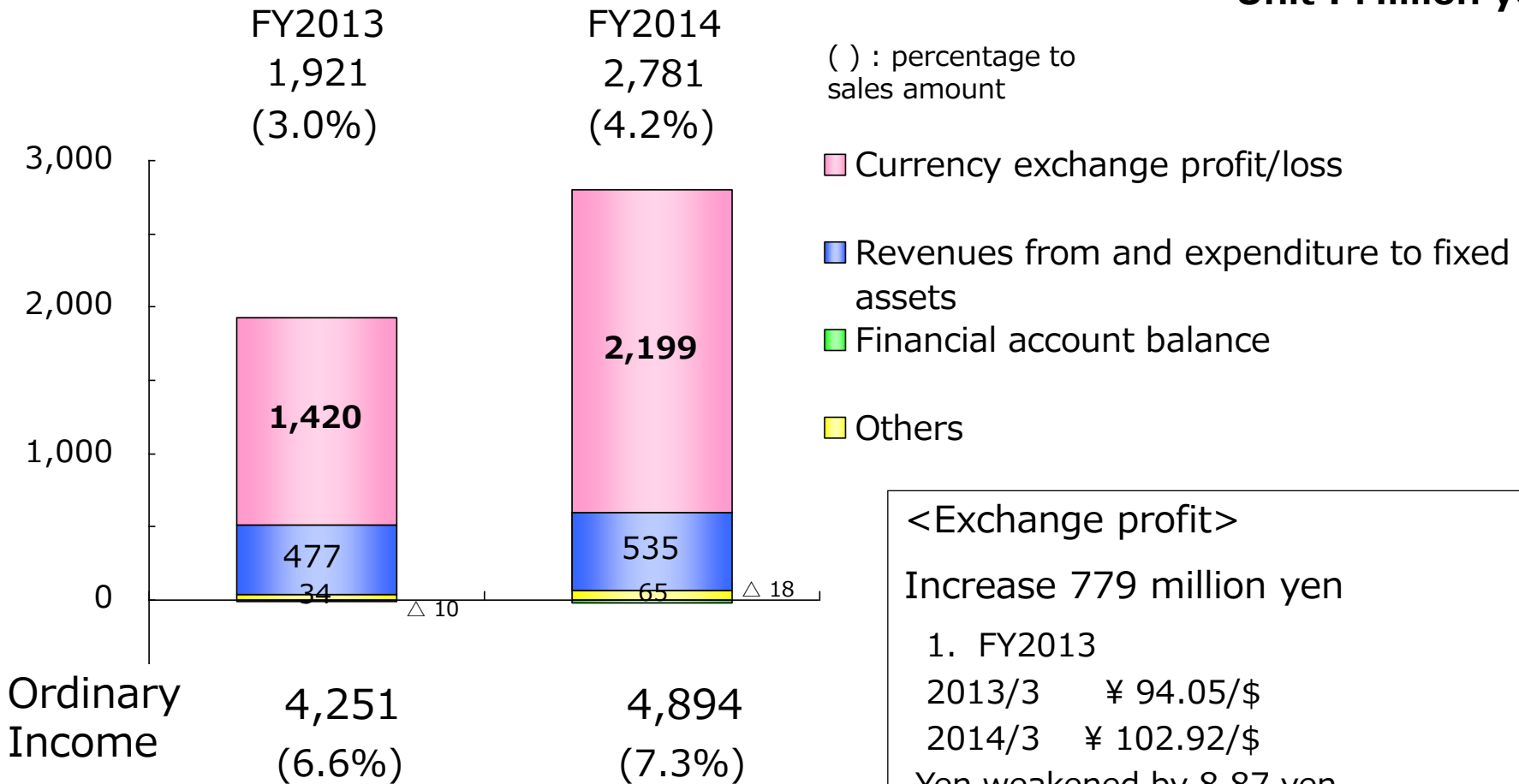
Analysis of factors for increase/decrease
of consolidated operating income
[FY2013 vs FY2014]

Unit : Million yen



<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

<Exchange profit>

Increase 779 million yen

1. FY2013

2013/3 ¥ 94.05/\$

2014/3 ¥ 102.92/\$

Yen weakened by 8.87 yen

2. FY2014

2014/3 ¥ 102.92/\$

2015/3 ¥ 120.17/\$

Yen weakened by 17.25 yen

<Consolidated> Extraordinary income or loss

Unit : Million yen

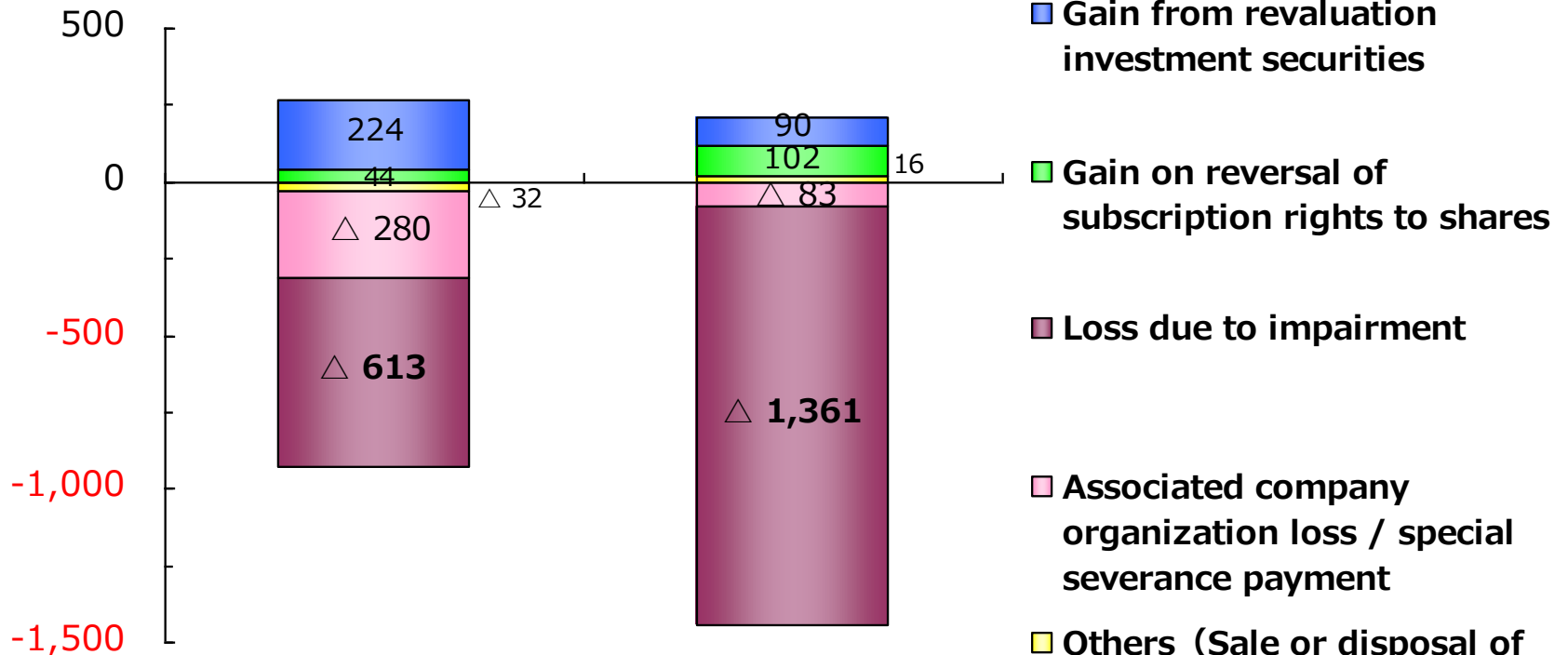
() : percentage to sales amount

FY2013

△657

FY2014

△1,236



Income before taxes	3,594	3,658
Income taxes (Current and deferred)	△1,053	△1,676
Net income	2,541	1,982
	(3.9%)	(3.0%)

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<Consolidated> Segment Information

FY2014

Unit : Million yen

	Reporting Segment				Others (*)	TOTAL (Consolidated gain and loss exhibit)
	CS Div.	FC Div.	TP Div.	Total		
Net Sales	25,901	25,027	15,184	66,112	118	66,230
Segment gain or loss (Operating Income)	921	△723	1,909	2,107	6	2,113

FY2013

	Reporting Segment				Others (*)	TOTAL (Consolidated gain and loss exhibit)
	CS Div.	FC Div.	TP Div.	Total		
Net Sales	27,416	22,438	15,808	65,662	134	65,796
Segment gain or loss (Operating Income)	1,403	△963	1,866	2,306	24	2,330

(*) Other: research and development, lease, real-estate rental, factoring

<Consolidated> Cash Position

9/27

Unit : Million yen

	2014/3 (A)	2015/3 (B)	Differential (B - A)
Assets	56,235	64,360	8,125
Cash and cash equivalents	11,227	10,182	△1,045
Accounts receivable	14,681	16,979	2,298
Inventories	5,904	6,422	518
Fixed assets	21,010	27,027	6,017
Liabilities	24,759	30,649	5,890
Accounts payable and accrued expenses	9,660	10,512	852
Interest-bearing debt	10,566	14,246	3,680
Net assets	31,476	33,710	2,234
Common stock	7,996	7,996	—
Capital adequacy ratio	55.9%	52.3%	△3.6%

<Consolidated> Cash Flow Position

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Unit : Million yen

	FY2013	FY2014
Cash Flow from operating activities	7,645	4,820
Working capital	△731	△1,586
Income before income taxes	3,594	3,658
Depreciation	3,377	3,669
Others	1,405	△921
Cash Flow from investing activities	△3,420	△5,938
Free Cash Flow	4,225	△1,118
Cash Flow from financing activities	△1,521	△155
Increase (decrease) in interest-bearing debt	△1,010	622
Purchases of treasury stock	198	7
Dividends paid	△709	△716
Others	—	△68
Initial balance	8,630	11,134
Final balance	11,134	9,999

Consolidated Financial Plan and Annual Dividend

(1) Consolidated Financial Estimate

% : Compared to previous term

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2014	66,230	0.7	2,113	△9.3	4,894	15.1	1,982	△22.0
FY2015(Plan)	73,300	10.7	3,100	46.7	3,800	△22.4	2,900	46.3

(2) Annual Dividend

	End of the second quarter	End of year	Annual
FY2014	5.00yen	9.00yen (Commemorative dividend 4.00 JPY)	14.00yen
FY2015(Plan)	6.00yen	6.00yen	12.00yen

FY2014 Result and FY2015 Prospect

President and COO

YASUMITSU IKEDA



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SMK Executive Appointment June 23, 2015 ^{13/27}

Name	Present Post	New Post
☆ New Auditor candidate		
Tetsuya Nakamura	Senior Adviser	Auditor
Ichiro Shimizu	President of Aroma Square Corporation, President of Omiya Sonic City Corporation	Outside Auditor (Will serve concurrently with current position)
☆ Retiring Auditor		
Hajime Yamada	Auditor	Adviser
Kouichiro Sugihara	Outside Auditor	(Termination of a term)

(*) Mr. Shimizu (new auditor candidate) will be an outside auditor, in accordance with Corporation law article 2, item (iii).

Full Fiscal Year Performance(FY2012-FY2015)

Net Sales: Million yen

Income: Million yen

80,000

8,000

60,000

6,000

40,000

4,000

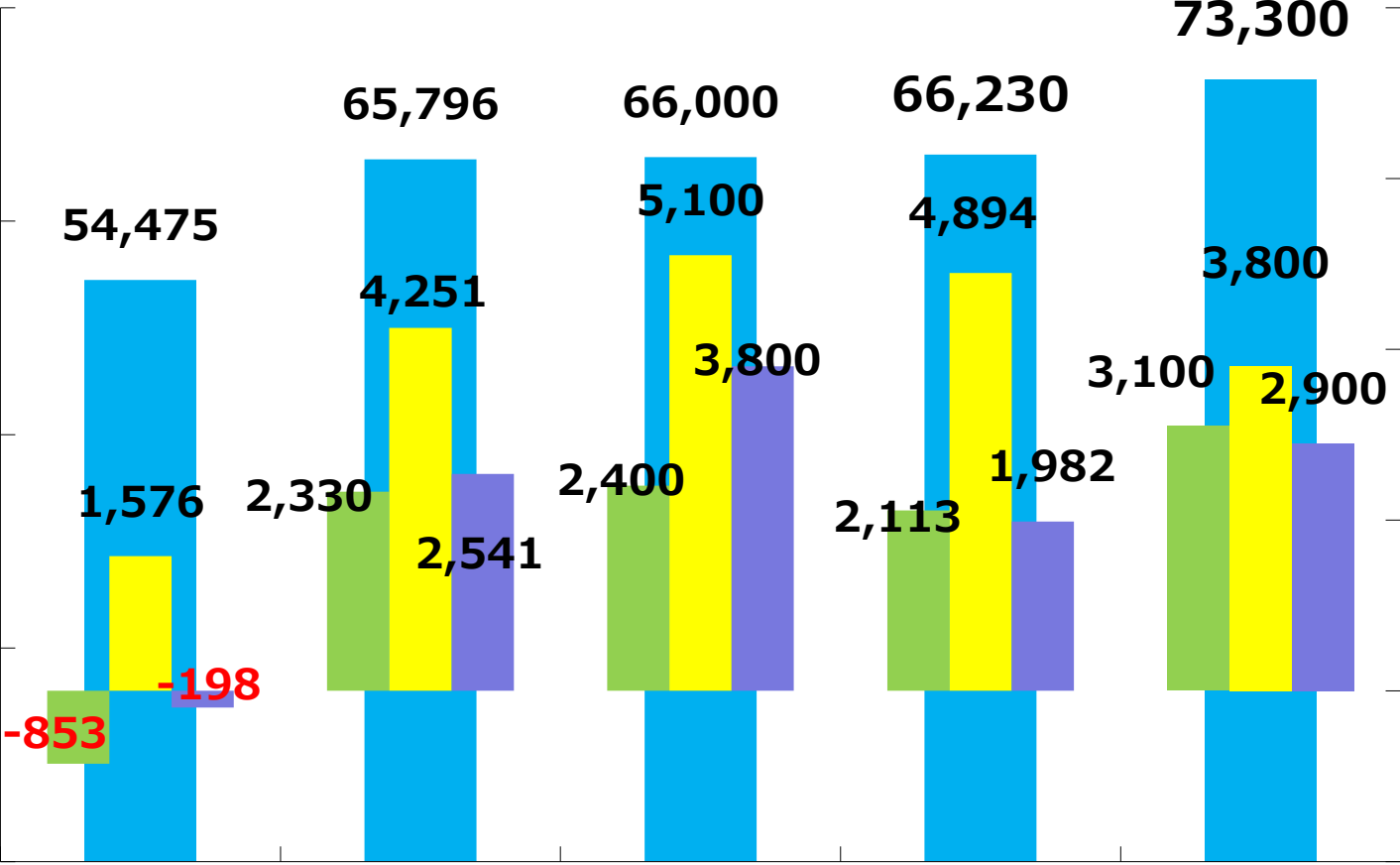
20,000

2,000

0

0

-2,000



Exchange rate 1us\$=

FY2012 Result
¥82.83

FY2013 Result
¥100.12

FY2014 Forecast
1H:¥103.07
2H:¥108

FY2014 Result
¥109.90

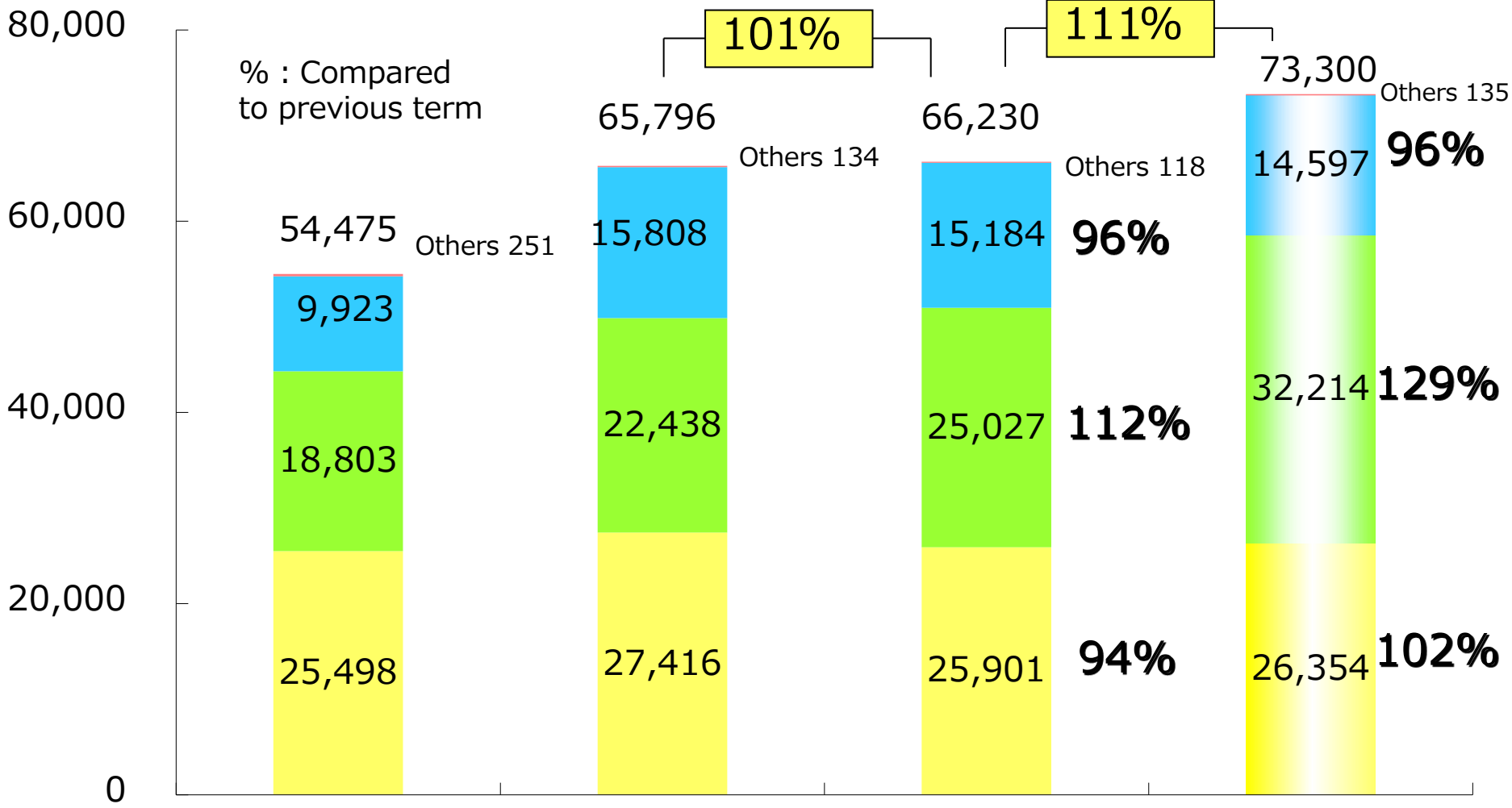
FY2015 Plan
¥115.00

Jan.27 Revised Plan

Net Sales Operating Income Ordinary Income Net Income

Net Sales by Production Div. (FY2012-FY2015)

Net Sales: Million yen

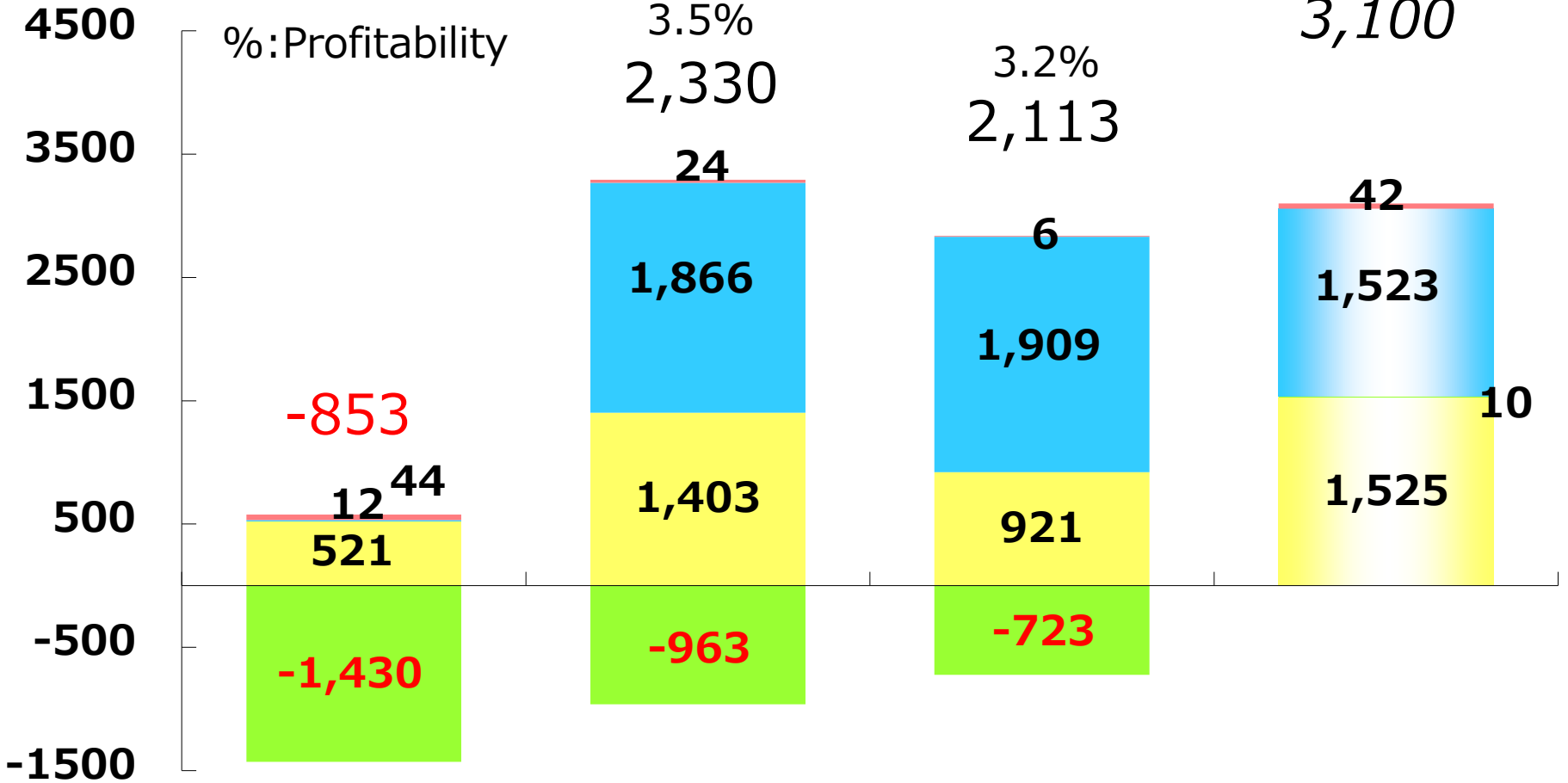


Exchange rate 1us\$= FY2012 Result ¥82.83 FY2013 Result ¥100.12 FY2014 Result ¥109.90 FY2015 Plan ¥115.00

CS FC TP Others

Operating Income by Production Div. (FY2012-FY2015)

Operating Income:
Million yen



Exchange rate 1us\$=

FY2012 Result
¥82.83

FY2013 Result
¥100.12

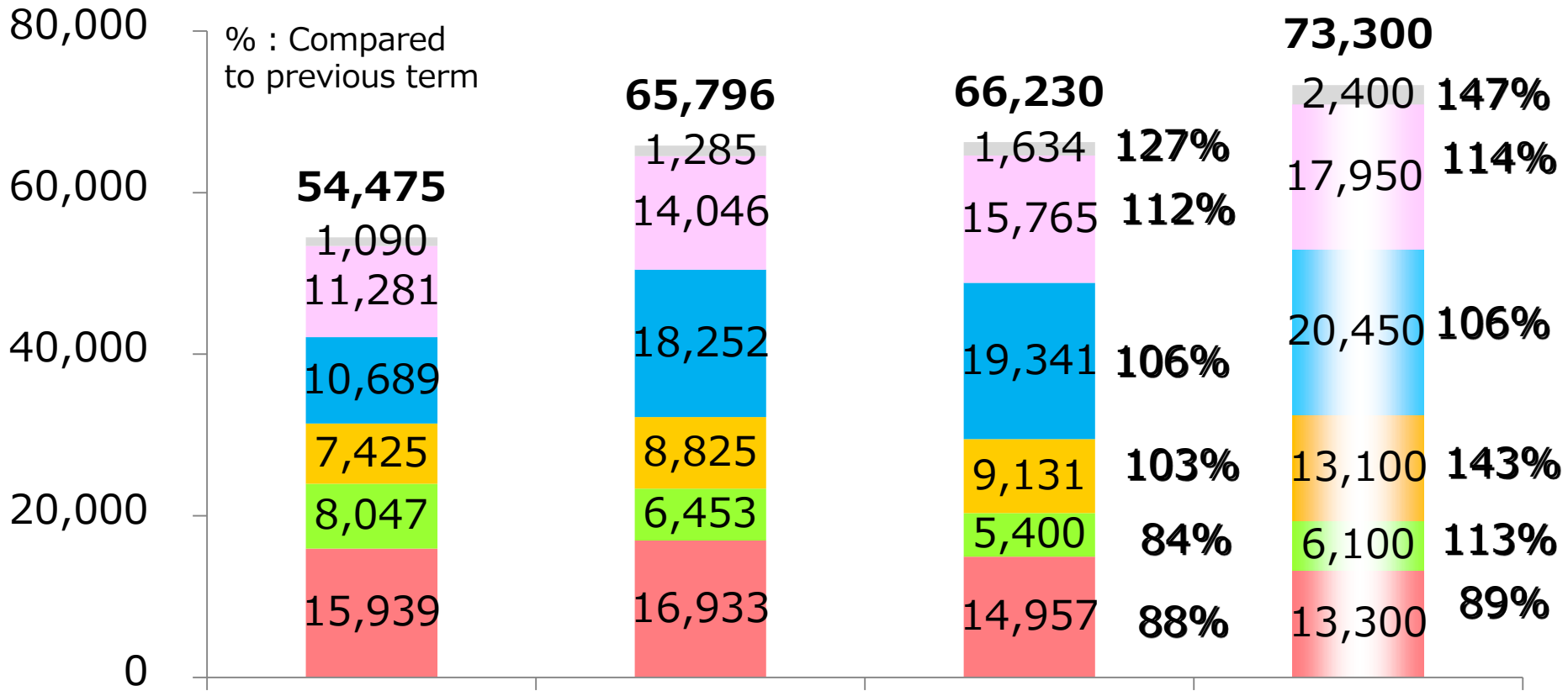
FY2014 Result
¥109.90

FY2015 Plan
¥115.00

CS FC TP Others

Reference: Net Sales by Market (FY2012-FY2015)

Net Sales: Million yen



Exchange rate 1us\$= FY2012 Result FY2013 Result FY2014 Result FY2015 Plan
 ¥82.83 ¥100.12 ¥109.90 ¥115.00

- Telecom
- Computer
- Appliance
- Car Electronics
- Audio & Visual
- Others

FY2015 Business Environment

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Positive aspects

✓ Recovery of the US economy (Continue a strong dollar)



✓ Total society connect to the internet (IoT society)

✓ Growth of the electronics application fields

✓ Growth of Chinese manufacture

Negative aspects

✓ Slowdown in the China economy and deflationary concerns in the Europe economy



✓ Rising labor costs in China and ASEAN

✓ Emergence of political and social risks globally

FY2015 Priority Matters

- Expand sales in Key markets
- Beef up efforts to explore new markets and develop new business
- Step up activities to improve profitability
- Enhance capability of product/technology development
- Reinforce CSR and Corporate governance

2015 Enhancement of Overseas Sales and Production

- Relocation of Europe headquarters to Ireland from Belgium July/2015
- Establishment of 2nd factory in Philippine July/2015



2015 Lighting Fair

Date : Mar 3rd, 2015 – Mar 6th, 2015
Place : Tokyo Big Sight



LED COB Connector & Crimp Connector



Demonstration of LED COB assembly

MEDTEC Japan 2015

Date: Apr 22nd, 2015 – Apr 24th, 2015
Place: Tokyo Big Sight



Optical TP with sensors

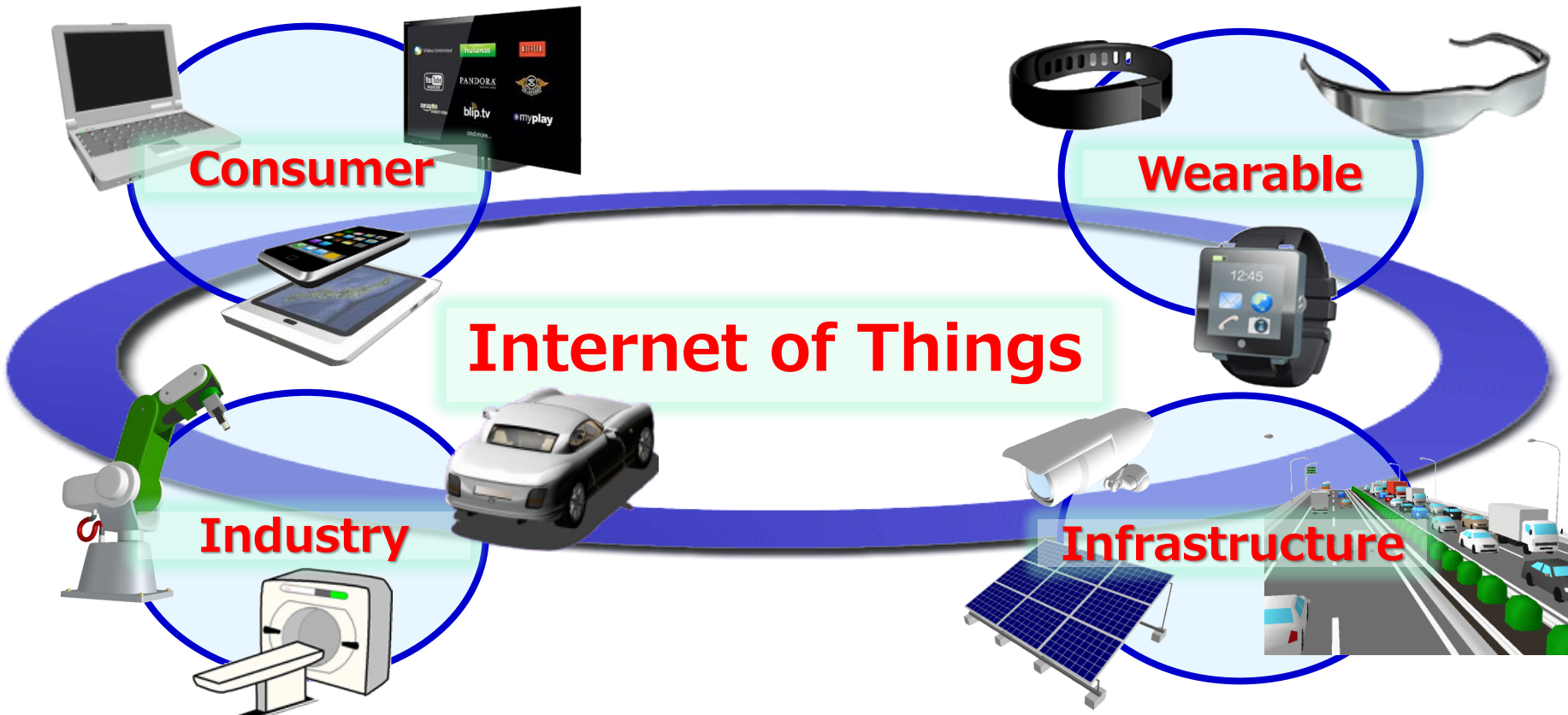
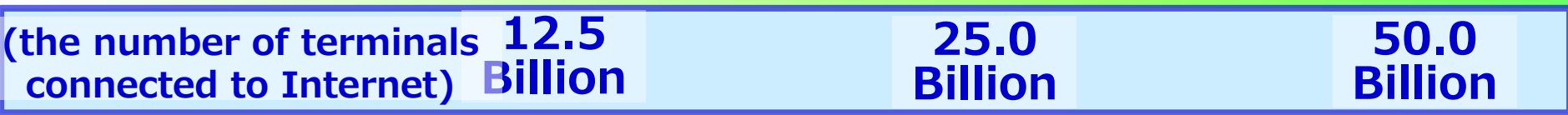
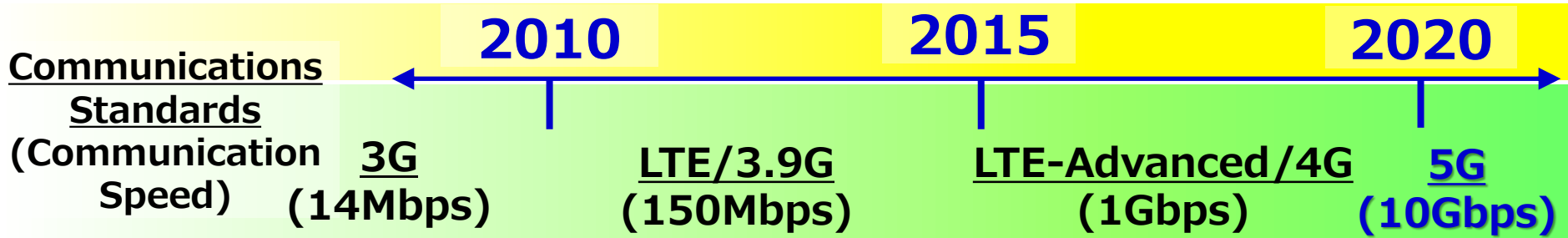


Finger vein authentication



SMK Booth

IoT (Internet of Things)





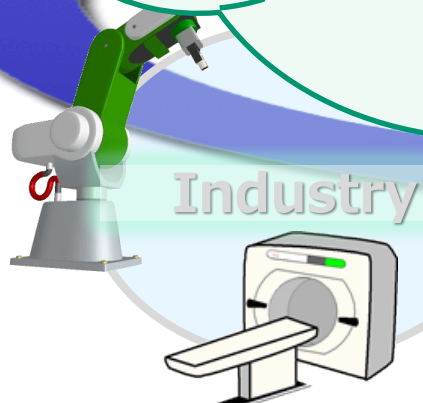
Communications Standards (Communication Speed)

5G (10Gbps)

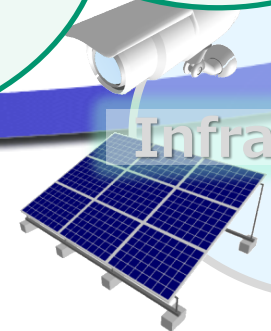
(the number of connected devices)

Business Strategy Slogan

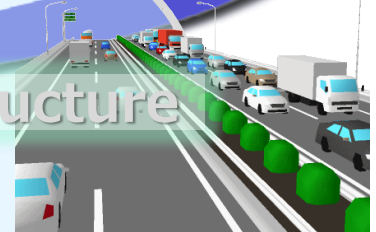
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Industry



Infrastructure

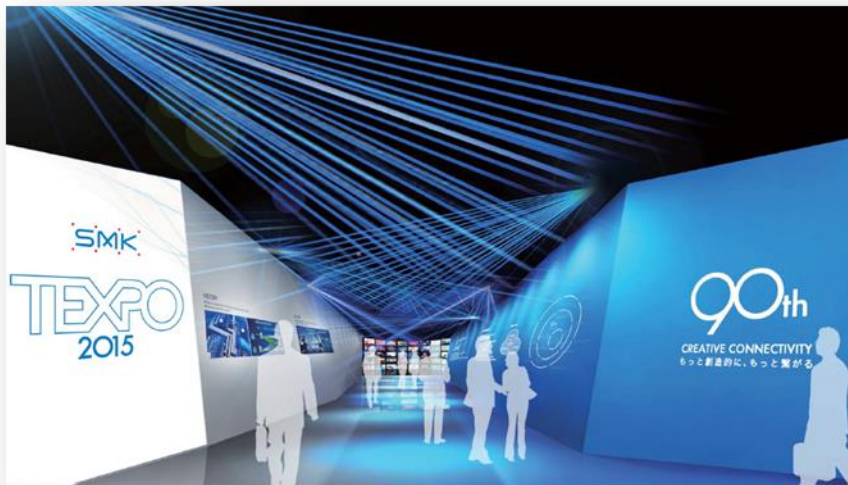


TEXPO2015 Overview

Date: Nov. 4th (Wed), 2015 - Nov. 6th (Fri), 2015

Place: SHINAGAWA GOOS

TEXPO 2015



90th Anniversary of the Founding

25/27

SMK Philosophy

What SMK will aim for

Now

- a cultural corporation which natures our human resource
- a company in high demand by society

SMK is committed to the advancement of mankind through development of the information society, by integrating its current technological strengths and creating advanced technology.

Necessary sense of values : Challenge, Creativity, Solutions
Business domain : Connectivity (people - people, people - products, products - products)

SMK Vision & Business Strategy Slogan



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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.

*The materials for this presentation to our investors is available on the IR Information Section of our Web site, <http://www.smk.co.jp/>