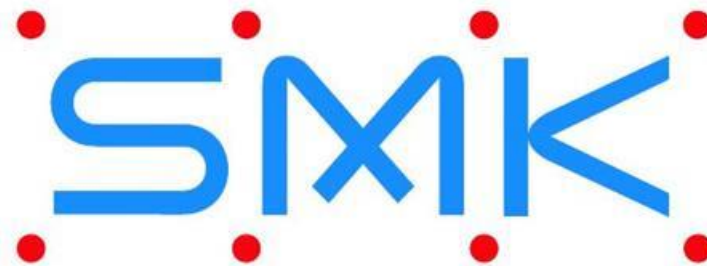


# Business Report for FY2015



# **FY2015 Outline of Financial Statement**

**Executive Vice President and CFO**

**KOHEI OHGAKI**

# <Consolidated> Financial Result

FY2014

FY2015

Unit : Million yen

Sales Amount

Income

80,000

8,000

60,000

6,000

40,000

4,000

20,000

2,000

0

0

+16.6%

+97.4%

66,230

77,206

2,113

4,171

4,894

3,541

1,982

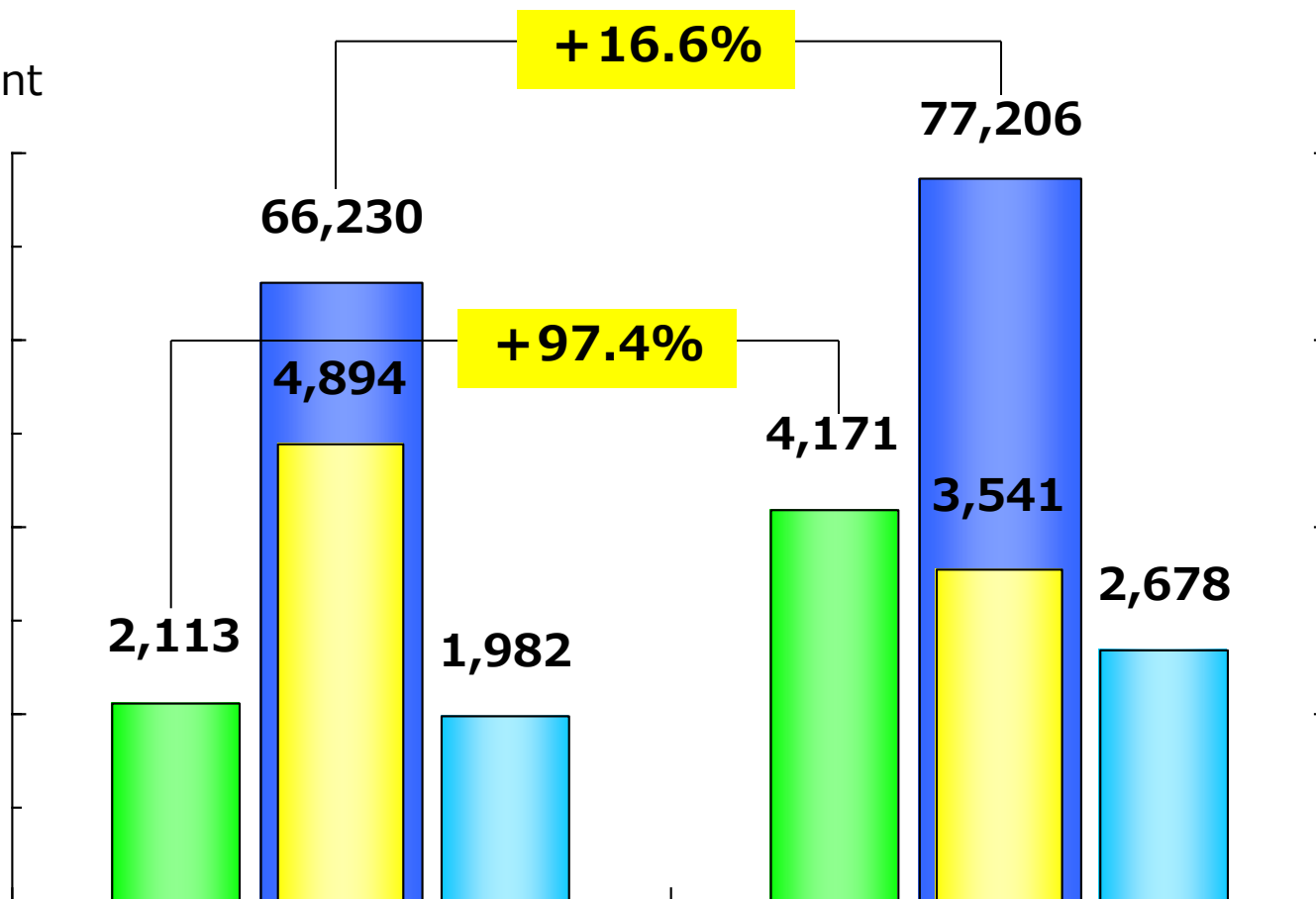
2,678

■ Net Sales

■ Operating Income

■ Ordinary Income

■ Net Income



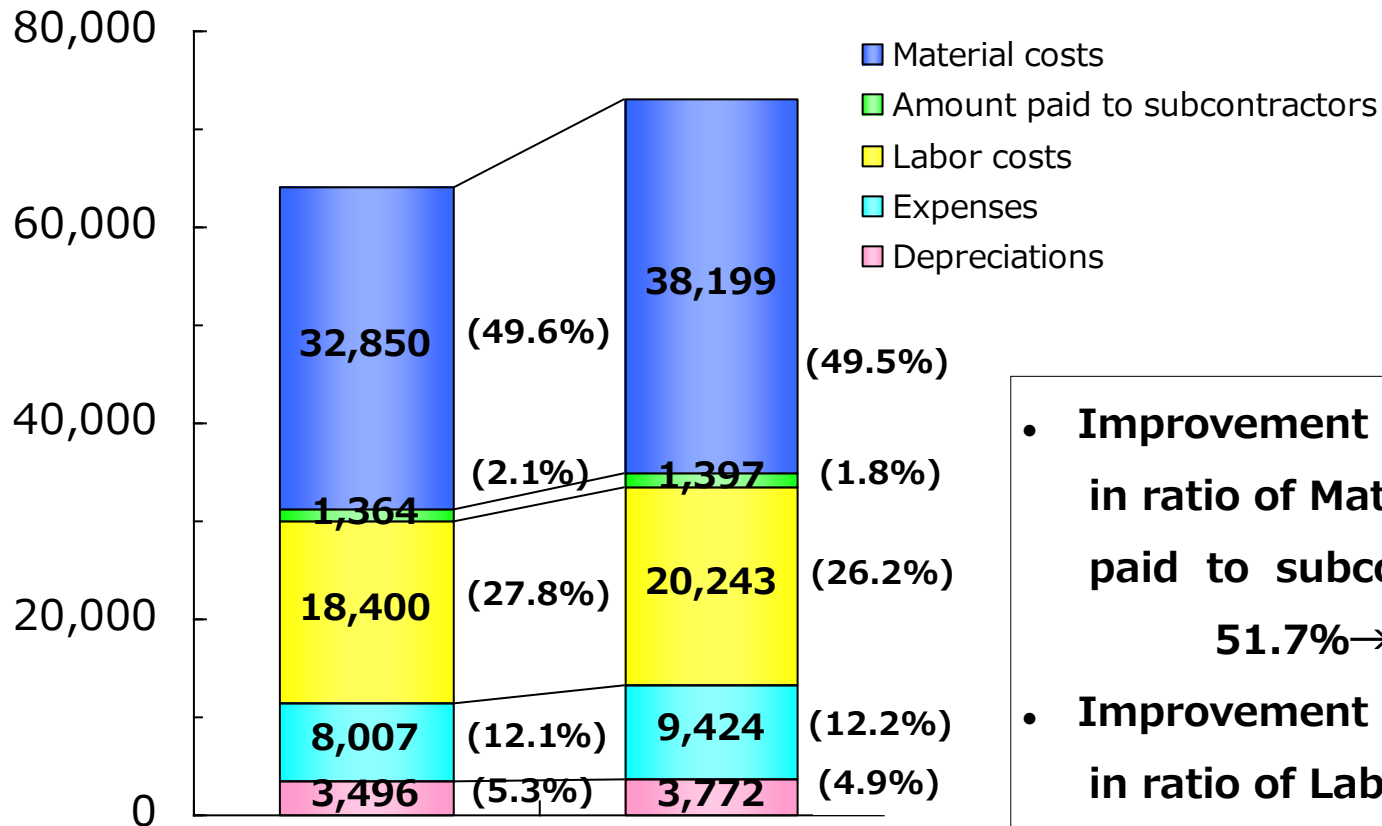
# <Consolidated> Operating Expenses

**FY2014**  
**64,117**  
**(96.9%)**

**FY2015**  
**73,035**  
**(94.6%)**

( ):Sales Ratio

**Unit : Million yen**



**Operating**  
**Income**  
**2,113**  
**(3.1%)**

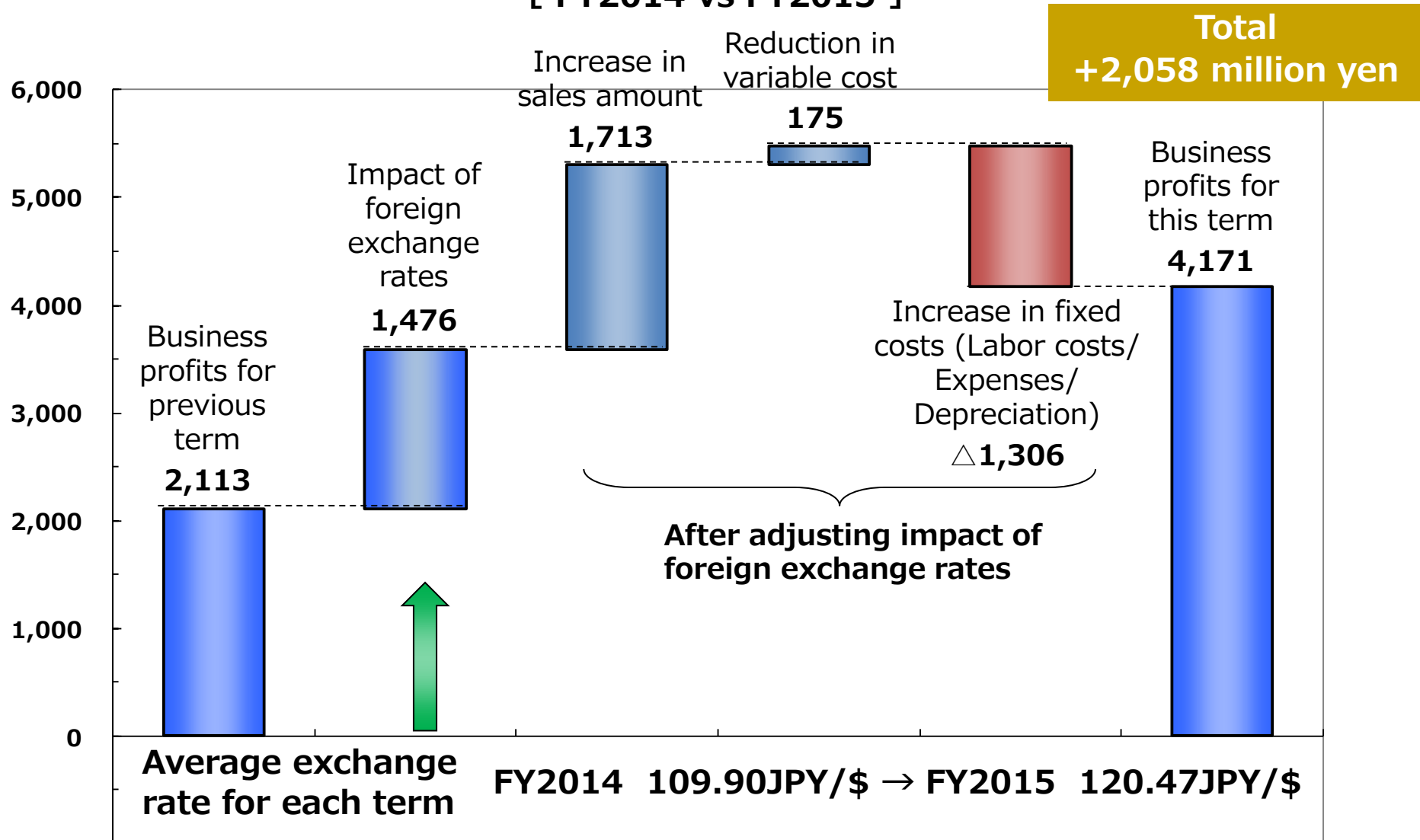
**4,171**  
**(5.4%)**

- **Improvement by 0.4%**  
in ratio of Material costs + Amount paid to subcontractors  
**51.7%→51.3%**
- **Improvement by 1.5%**  
in ratio of Labor costs + Expenses  
**(Due to the increase of production)**  
**39.9%→38.4%**

# <Consolidated> Analysis of Sales Expenses

Analysis of factors for increase/decrease  
of consolidated operating income  
[ FY2014 vs FY2015 ]

Unit : Million yen



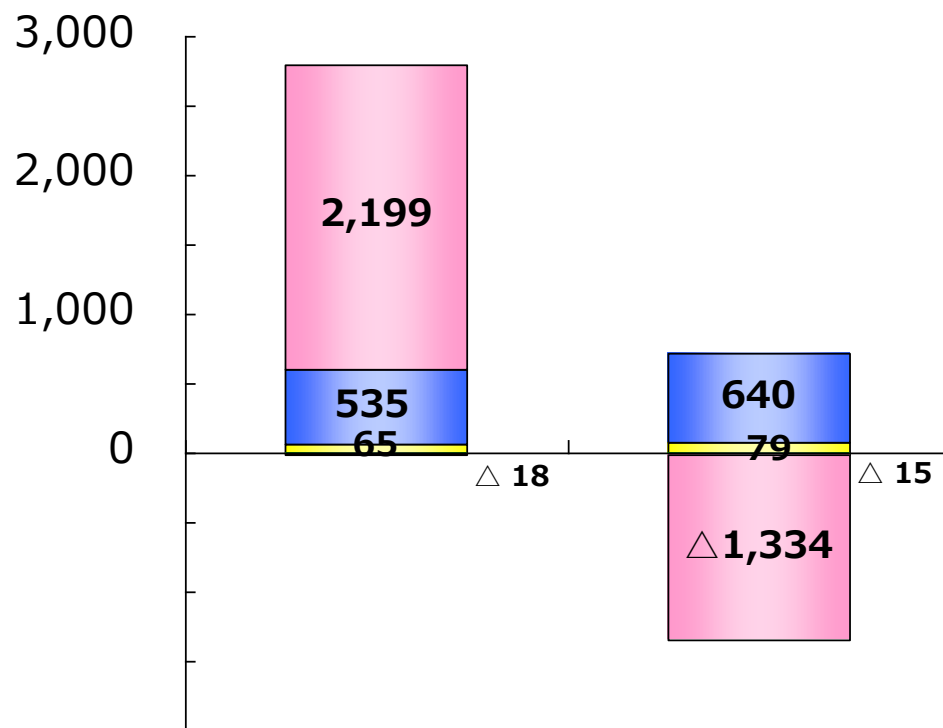
# <Consolidated> Non-operating Profit and Loss

**FY2014**  
2,781  
(4.2%)

**FY2015**  
△630  
(△0.8%)

Unit : Million yen

( ) : percentage to sales amount



■ Currency exchange profit/loss

■ Revenues from and expenditure to fixed assets

■ Financial account balance

■ Others

**【Exchange gain→Exchange loss】**

**-3,533 million yen**

1. FY2014

2014/3 102.92JPY/\$

2015/3 120.17JPY/\$

Yen weakened by 17.25 yen

2. FY2015

2015/3 120.17JPY/\$

2016/3 112.68JPY/\$

Yen strengthened by 7.49 yen

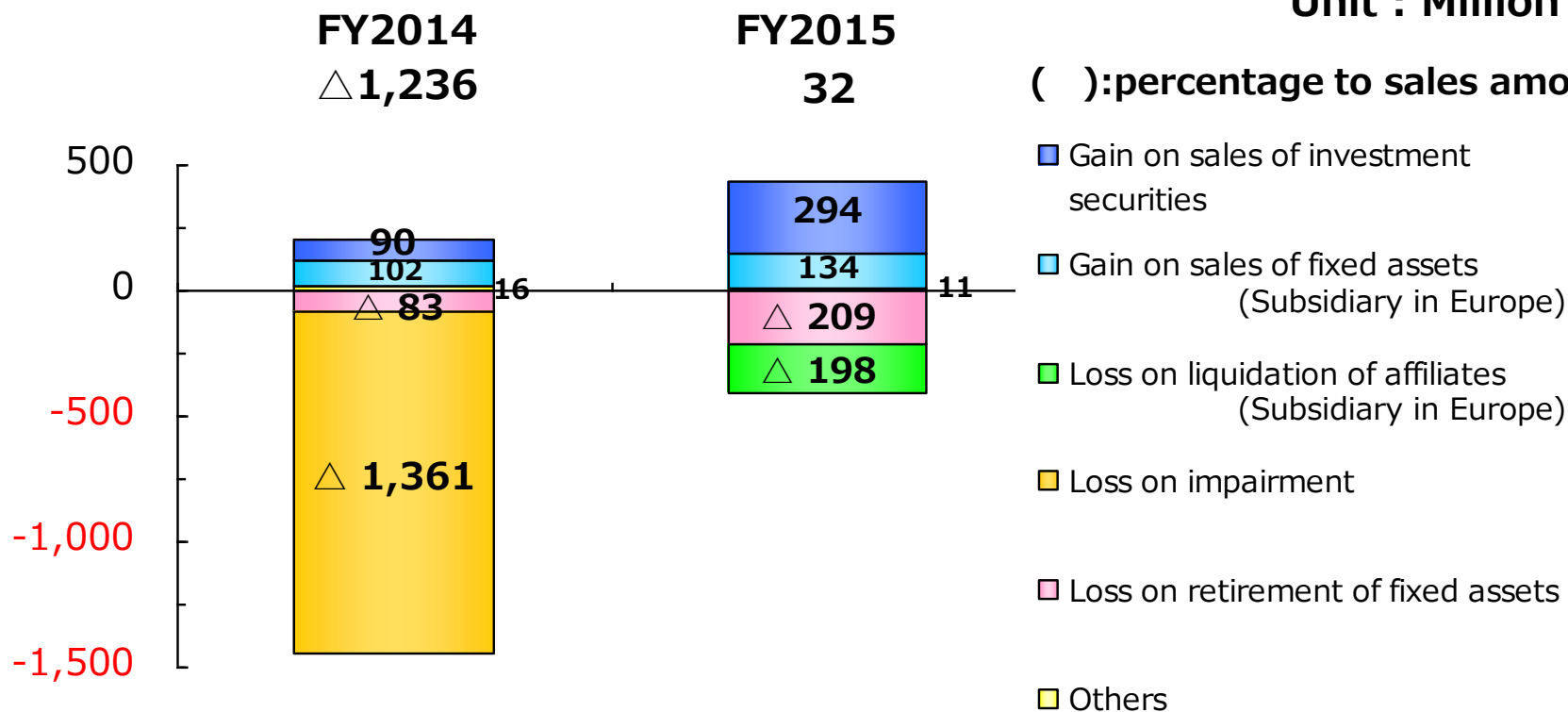
**Ordinary** 4,894  
**Income** (7.3%)

**3,541**  
**(4.6%)**

# <Consolidated> Extraordinary income or loss

Unit : Million yen

( ) : percentage to sales amount



Income before taxes	<b>3,658</b>	<b>3,573</b>
Income taxes (Current and deferred)	△ <b>1,676</b>	△ <b>980</b>
Loss attributable to non-controlling interests	—	<b>85</b>
<b>Net income</b>	<b>1,982</b> <b>(3.0%)</b>	<b>2,678</b> <b>(3.5%)</b>

# <Consolidated> Segment Information

**FY2015**

Unit : Million yen

	Reporting Segment				Others (*)	TOTAL (Consolidated gain and loss exhibit)
	CS Div.	FC Div.	TP Div.	Total		
<b>Net Sales</b>	<b>27,095</b>	<b>35,449</b>	<b>14,467</b>	<b>77,011</b>	<b>195</b>	<b>77,206</b>
<b>Segment gain or loss (Operating Income)</b>	<b>2,215</b>	<b>370</b>	<b>1,838</b>	<b>4,423</b>	<b>△252</b>	<b>4,171</b>

**FY2014**

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

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



# <Consolidated> Cash Position

Unit : Million yen

	2015/3 (A)	2016/3 (B)	Differential (B-A)
<b>Assets</b>	<b>65,029</b>	<b>67,606</b>	<b>2,576</b>
Cash and cash equivalents	10,182	10,778	595
Accounts receivable	16,979	16,509	△470
Inventories	6,422	7,187	764
Fixed assets	27,696	29,237	1,541
<b>Liabilities</b>	<b>30,842</b>	<b>34,318</b>	<b>3,475</b>
Accounts payable and accrued expenses	10,513	11,053	540
Interest-bearing debt	14,247	17,546	3,299
<b>Net assets</b>	<b>34,187</b>	<b>33,287</b>	<b>△899</b>
Common stock	7,996	7,996	—
<b>Capital adequacy ratio</b>	<b>52.5%</b>	<b>48.8%</b>	<b>△3.7%</b>

# <Consolidated> Cash Flow Position

Unit : Million yen

	FY2014	FY2015
<b>Cash Flow from operating activities</b>	<b>4,820</b>	<b>6,211</b>
Working capital	△1,586	△156
Income before income taxes	3,658	3,573
Depreciation	3,669	3,970
Others	△921	△1,176
<b>Cash Flow from investing activities</b>	<b>△5,938</b>	<b>△7,182</b>
<b>Free Cash Flow</b>	<b>△1,118</b>	<b>△970</b>
<b>Cash Flow from financing activities</b>	<b>△155</b>	<b>1,636</b>
Increase (decrease) in interest-bearing debt	622	3,294
Purchases of treasury stock	7	△948
Dividends paid	△716	△1,062
Others	△68	352
<b>Initial balance</b>	<b>11,134</b>	<b>9,999</b>
<b>Final balance</b>	<b>9,999</b>	<b>10,668</b>

# <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	%
<b>FY2015</b>	<b>77,206</b>	<b>16.6</b>	<b>4,171</b>	<b>97.4</b>	<b>3,541</b>	<b>△27.6</b>	<b>2,678</b>	<b>35.1</b>
<b>FY2016(Plan)</b>	<b>76,000</b>	<b>△1.6</b>	<b>3,100</b>	<b>△25.7</b>	<b>3,300</b>	<b>△6.8</b>	<b>2,300</b>	<b>△14.1</b>

## (2) Annual Dividend

	End of the second quarter	End of year	Annual
<b>FY2015</b>	<b>6.00yen</b>	<b>8.00yen</b> (Commemorative dividend 4.00JPY)	<b>14.00yen</b>
<b>FY2016(Plan)</b>	<b>5.00yen</b>	<b>5.00yen</b>	<b>10.00yen</b>

# FY2015 Result and FY2016 Prospect

**President and COO**  
**YASUMITSU IKEDA**

# SMK Executive Appointment-1 June 22, 2016

## 1. New Director candidate

New Post	Present Post	Name
Director and Executive Vice President Europe and America Area Business	Executive Vice President Europe and America Area Business	Paul Evans

New Post	Continuing Post	Name
Director	Outside Director of NGK Insulators, Ltd. Chairman of National Association of Trade Promotion for Small and medium Enterprises	Toshio Nakamura

## 2. Retiring Director

New Post	Present Post	Name
Senior Adviser	Director (Outside Director)	Yuji Tanahashi

## 3. New Auditor candidate

New Post	Present Post	Name
Auditor (Outside Auditor)	Auditor of Mizuho Private Wealth Management Co.,Ltd.	Morikazu Fukui

## 4. Retiring Auditor

New Post	Present Post	Name
Supreme Corporate Adviser	Auditor (Chairman of Auditors Meeting)	Terutaka Ikeda

# SMK Executive Appointment-2 June 22, 2016

## 5. Promotion of Vice President

New Post	Present Post	Name
Executive Vice President Transnational TP Division	Vice President Transnational TP Division	Shigechika Yanagi

Shigechika Yanagi will be in charge of Transnational Production Management Division, Production Management Department (General Manager), Overseas Factories, Toyama Works (General Manager) and Hitachi Works besides his present post in transnational TP Division after May 21, 2016.

## 6. New Vice President

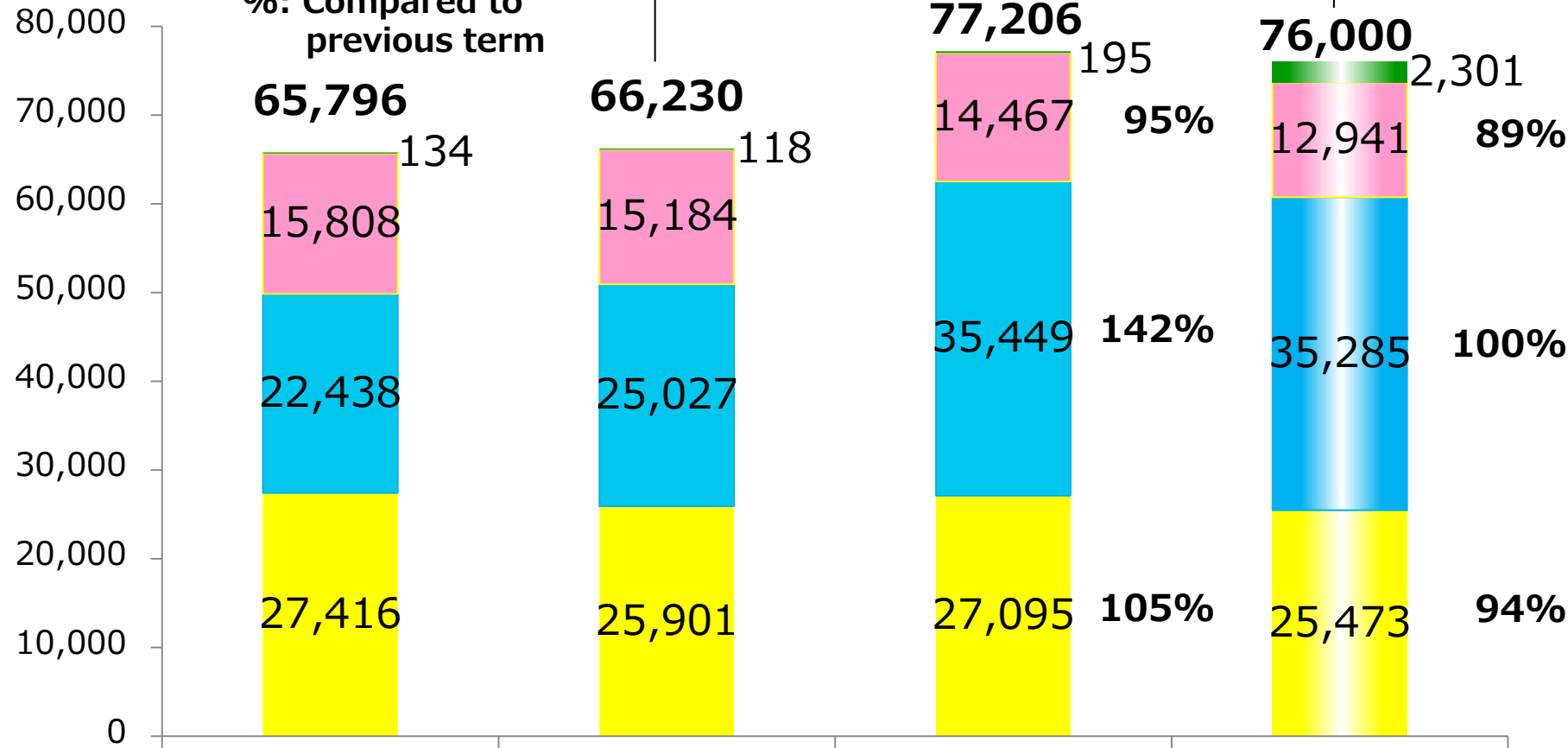
New Post	Present Post	Name
Vice President Transnational FC Division, FC Division (Senior General Manager)	Senior General Manager of FC Division	Mitsuyuki Masubuchi
Vice President CIO, Corporate Planning Department (General Manager), Transnational Computer System & Data Processing, Computer System & Data Processing Department	General Manager of Corporate Planning Department	Hiroshi Usami

## 7. Retiring Vice President

New Post	Present Post	Name
Technical Adviser R&D Center (Senior General Manager)	Vice President Transnational R&D, R&D Center (Senior General Manager), Strategic Planning Department	Tsutomu Isoda

# Net Sales by Product Div. (FY2013-FY2016)

Net Sales:  
Million yen



Exchange  
rate

FY2013 Result  
1USD=100.12JPY

FY2014 Result  
109.90JPY

FY2015 Result  
120.47JPY

FY2016 Plan  
110.00JPY

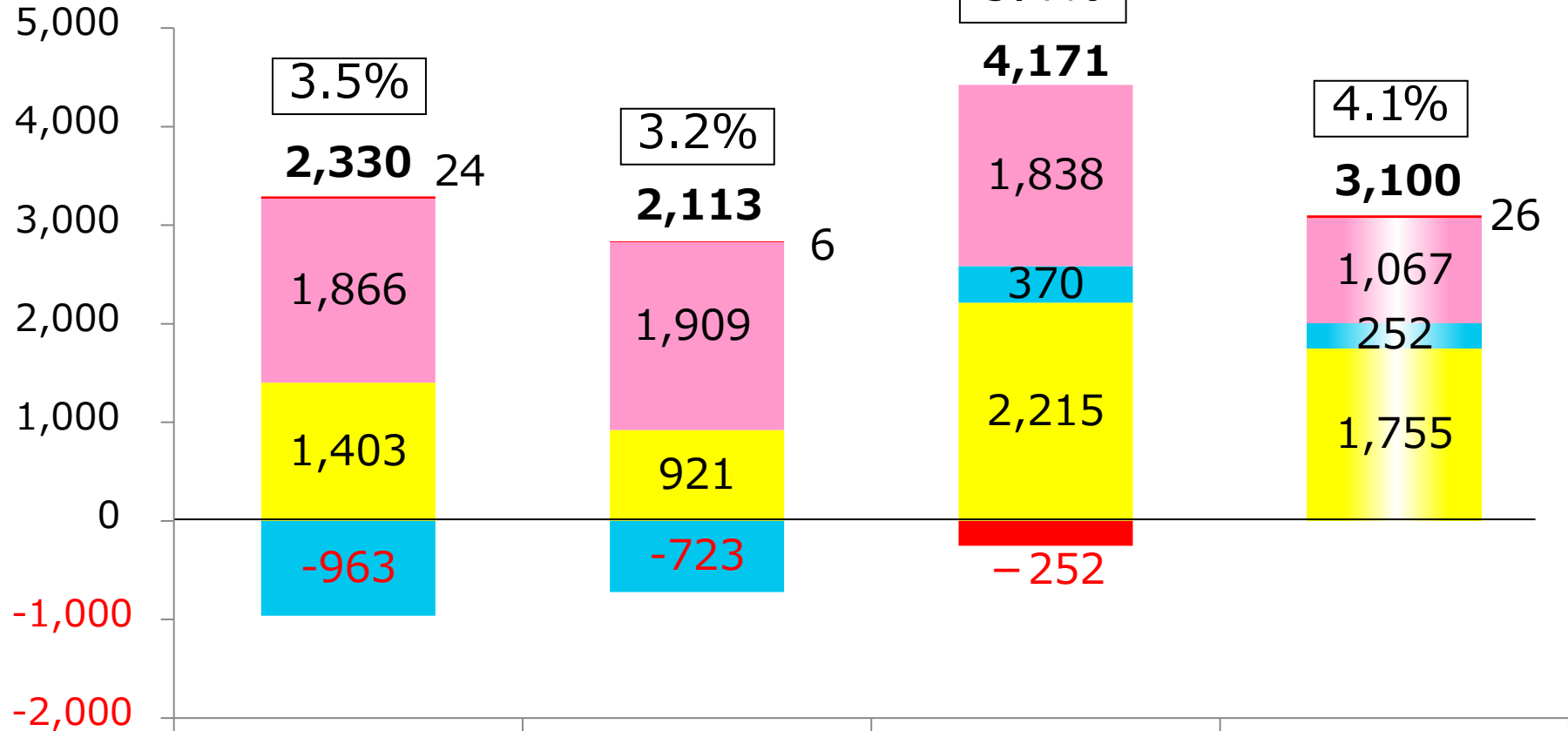
CS FC TP Others

# Operating Income by Product Div.

(FY2013-FY2016)

Operating  
Income:  
Million yen

$$\text{Profitability} = \text{Income} / \text{Sales}$$



FY2013 Result

FY2014 Result

FY2015 Result

FY2016 Plan

Exchange  
rate

1USD=100.12JPY

109.90JPY

120.47JPY

110.00JPY

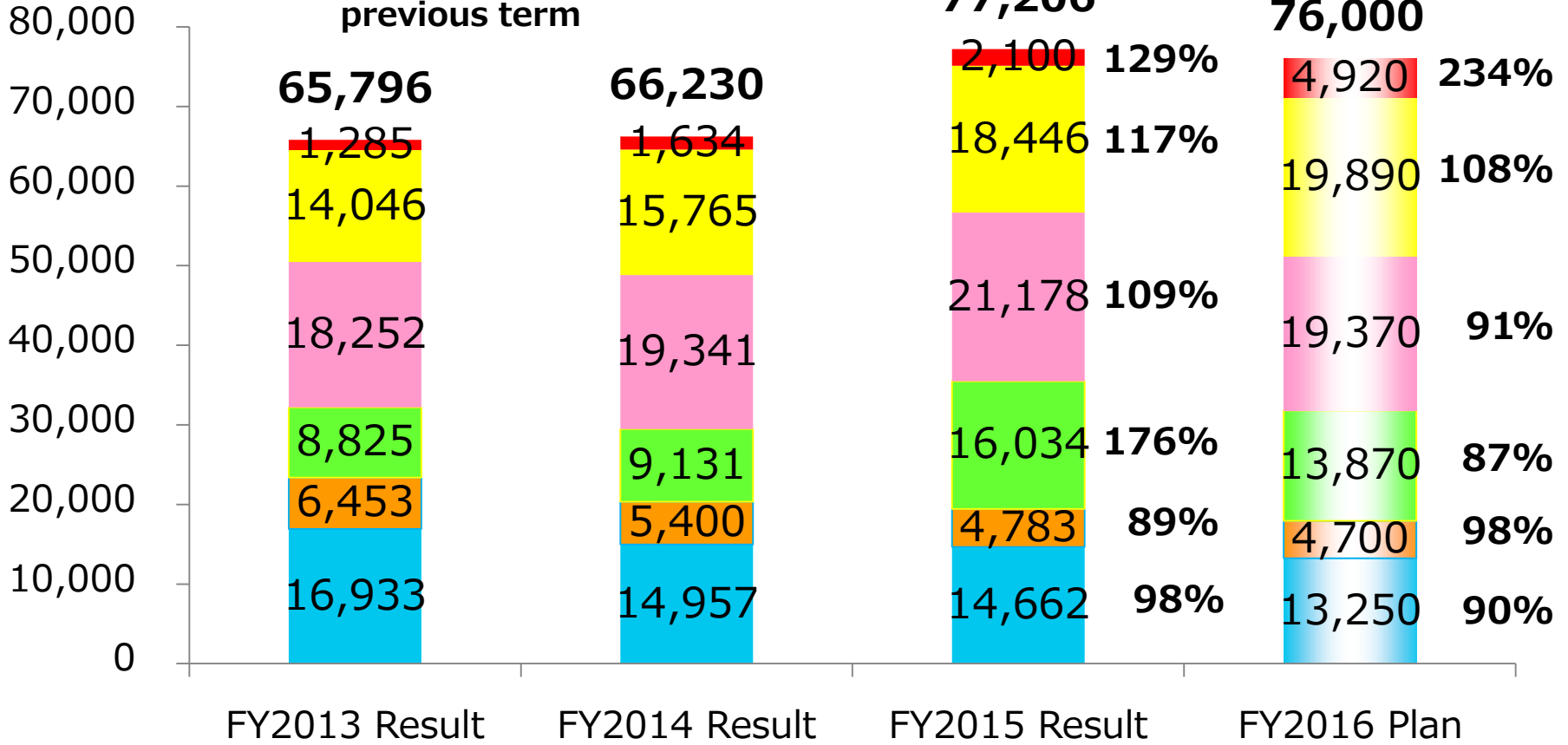
CS FC TP Others



# Reference: Net Sales by Market (FY2013-FY2016)

Net Sales:  
Million yen

#: Compared to  
previous term



Exchange  
rate

1USD=100.12JPY

109.90JPY

120.47JPY

110.00JPY

- Telecom
- Home Appliance
- Audio & Visual

- Business Equipment
- Car Electronics
- Others

# FY2016 Business Environment

## Negative Aspects



- ✓ Global economic slowdown (rise of yen)
- ✓ Deceleration of growth in smartphone market
- ✓ Emergence of political and social risks globally

## Positive Aspects



- ✓ Accelerating development of car electronics
- ✓ Rise of new market (IoT-society)
- ✓ Expansion of electronics application-field

# FY2016 Priority Matters

- Expand sales in key markets and new markets / Beef up approach for developing new business
- Enhance capability of product / technology development
- Strengthen efforts to improve profitability
- Reinforce CSR and Corporate governance

# Enhance Japan and Overseas Bases

- Europe headquarters relocated from Belgium to Ireland April 2015
- SMK-LOGOMOTION founded May 2015
- Second factory in Philippine opened July 2015
- MITEC acquired December 2015
- Design Center in Singapore established January 2016
- Toyama Works extended March 2016



# Prospective Emerging Market

[IoT Market] 53 billion terminals will be connected to the Internet in 2020

## Present Key Market

### Smartphone / Tablet



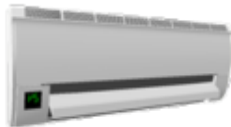
### Set Top Box



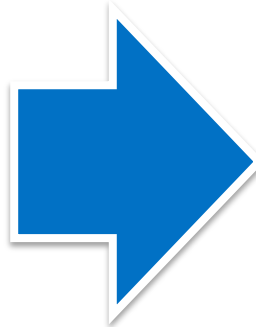
### Car Navigation / Car Audio



### Air Conditioner



### Photovoltaic System



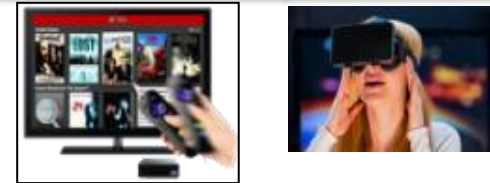
## Prospective Emerging Market



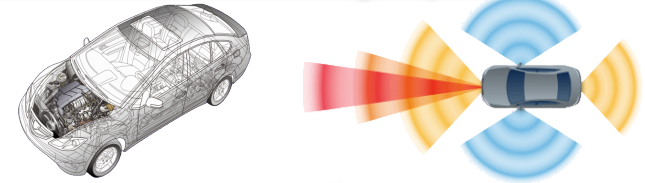
### Wearable Devices



### Home Network / VR Devices



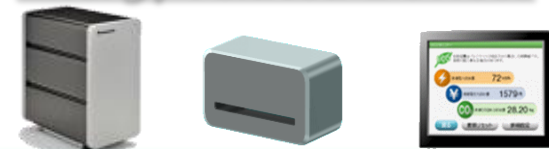
### Automatic Driving System



### Smart Appliance



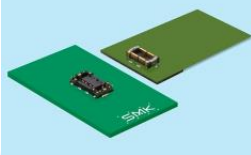
### Energy related Devices



# Approach for expanding IoT Market

## Wearable Device

FPC to Board Connector "FB Series"



Bluetooth® Smart Module

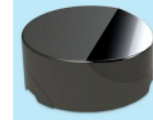


Capacitive Touch Panel/ Touch Switch

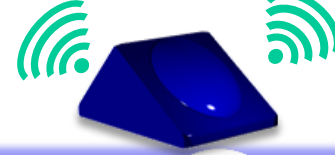


## Home Automation

IR Blaster



Service Gateway (under development)

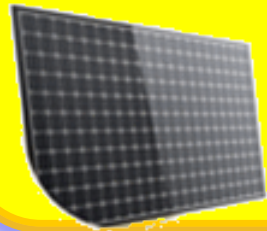
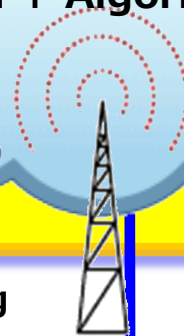


ECHONET Lite-compliant Wired LAN Adapter



## Cloud

Big Data + Algorithm + AI



PV Connector



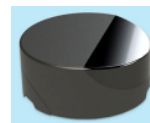
Wireless LAN Module "WL-2" (under development)



Monitoring System



Bluetooth® Smart Sensor Unit



920MHz Band Certain Low-power Module



Optical Touch Panel



## Energy Management

## Smart City



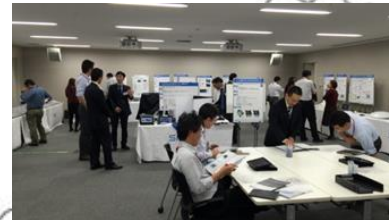
# mini TEXPO

**Term: November 2015 - June 2016**

Area	Number of exhibition
Japan	60
Chinese Area	43
ASEAN / Korea	17
US Area	17
Europe Area	28
<b>TOTAL</b>	<b>165</b>



FRANCE



JAPAN



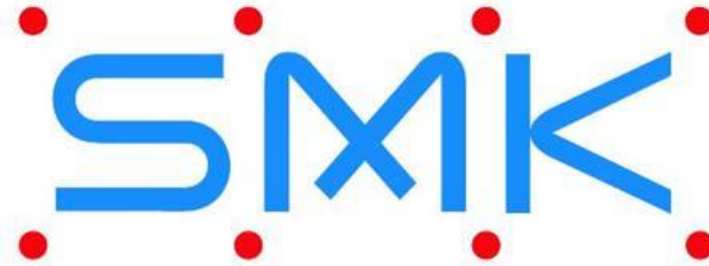
GERMANY



CHINA



UNITED STATES



CREATIVE CONNECTIVITY



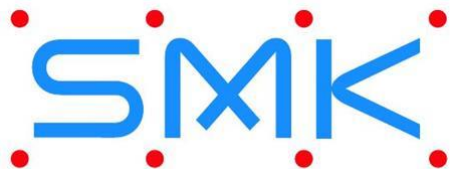
# Notice

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/>



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