

Business Report for FY2017 1st Half



FY2017 2Q

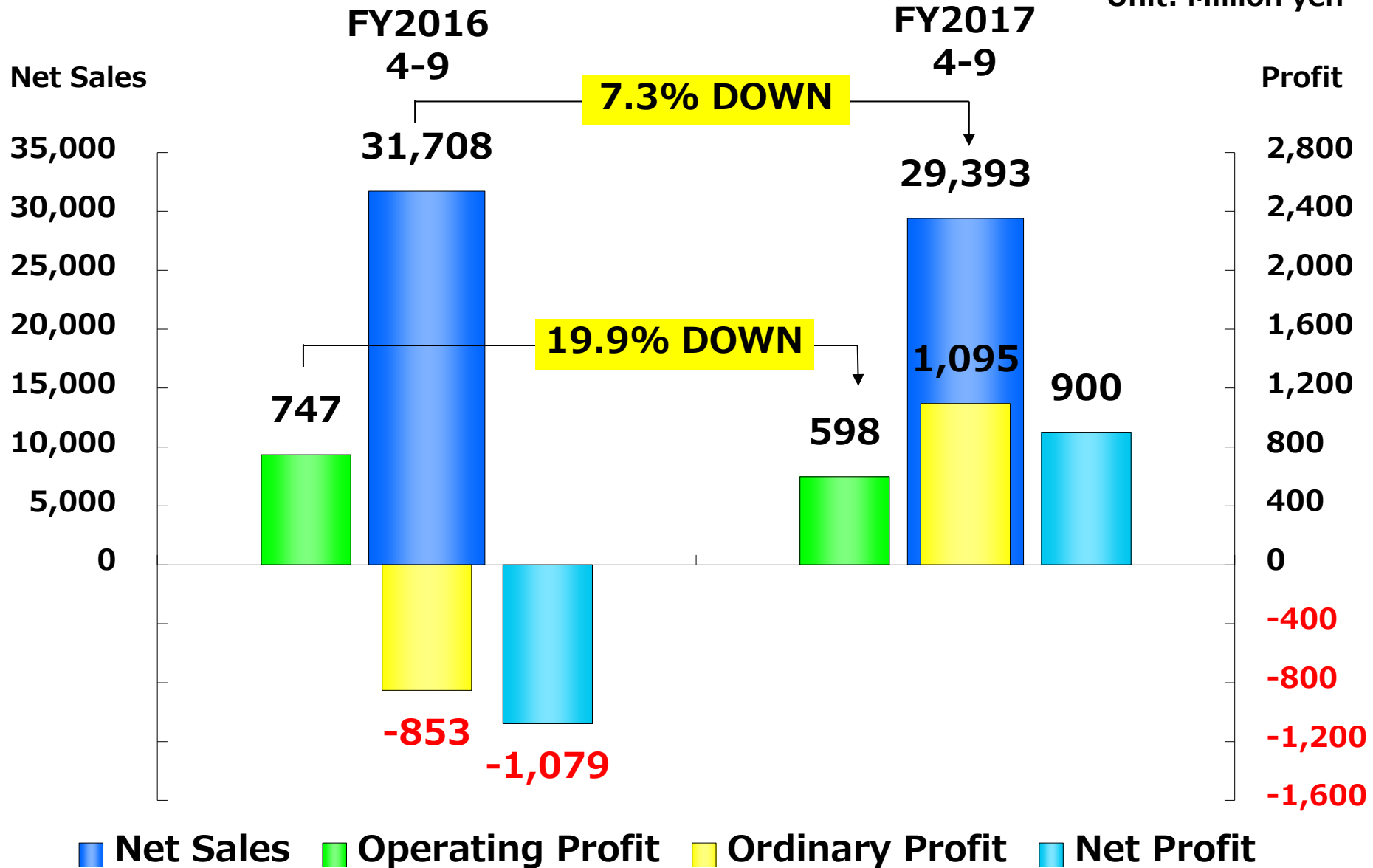
Outline of Financial Statement

Executive Vice President and CFO

KOHEI OHGAKI

<Consolidated> 2Q Financial Results

Unit: Million yen



<Consolidated> Operating Expenses

Unit: Million yen

FY2016
4-9FY2017
4-9

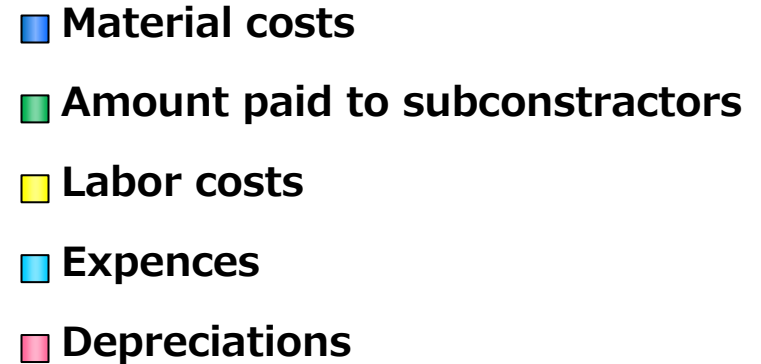
30,961

28,795

[]: Sales Ratio

[97.6%]

[98.0%]



- Improvement by 2.8% in ratio of Material costs & Amount paid to subcontractors
48.5% → 45.7%
(The ratio of Material costs decreased due to the model mix)
- Raise by 2.8% in ratio of Labor costs & Expences
42.6% → 45.4%
(Due to the reduction in sales)

0

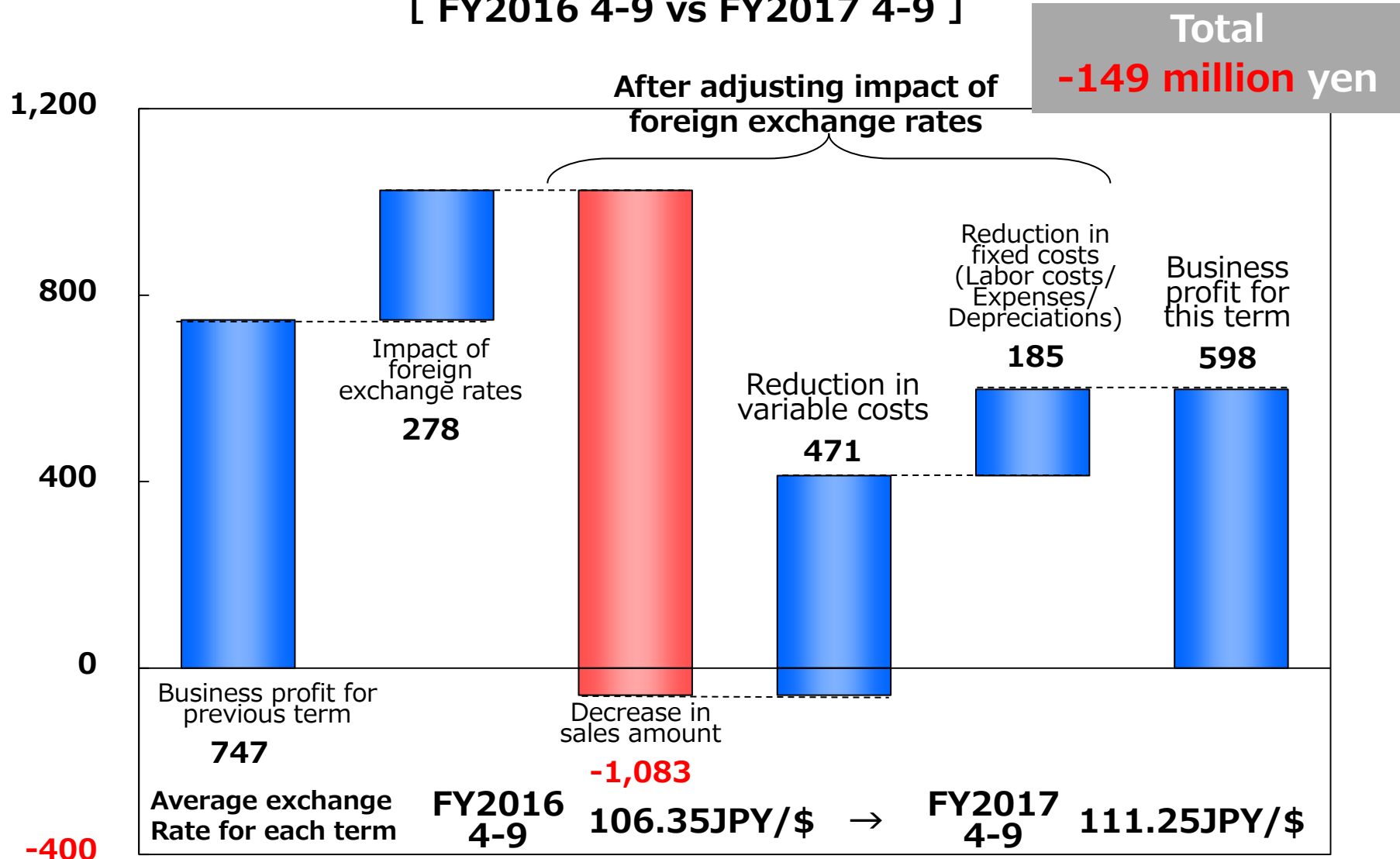
Operating Profit 747 [2.4%]

598 [2.0%]

<Consolidated> Analysis of Sales Expenses

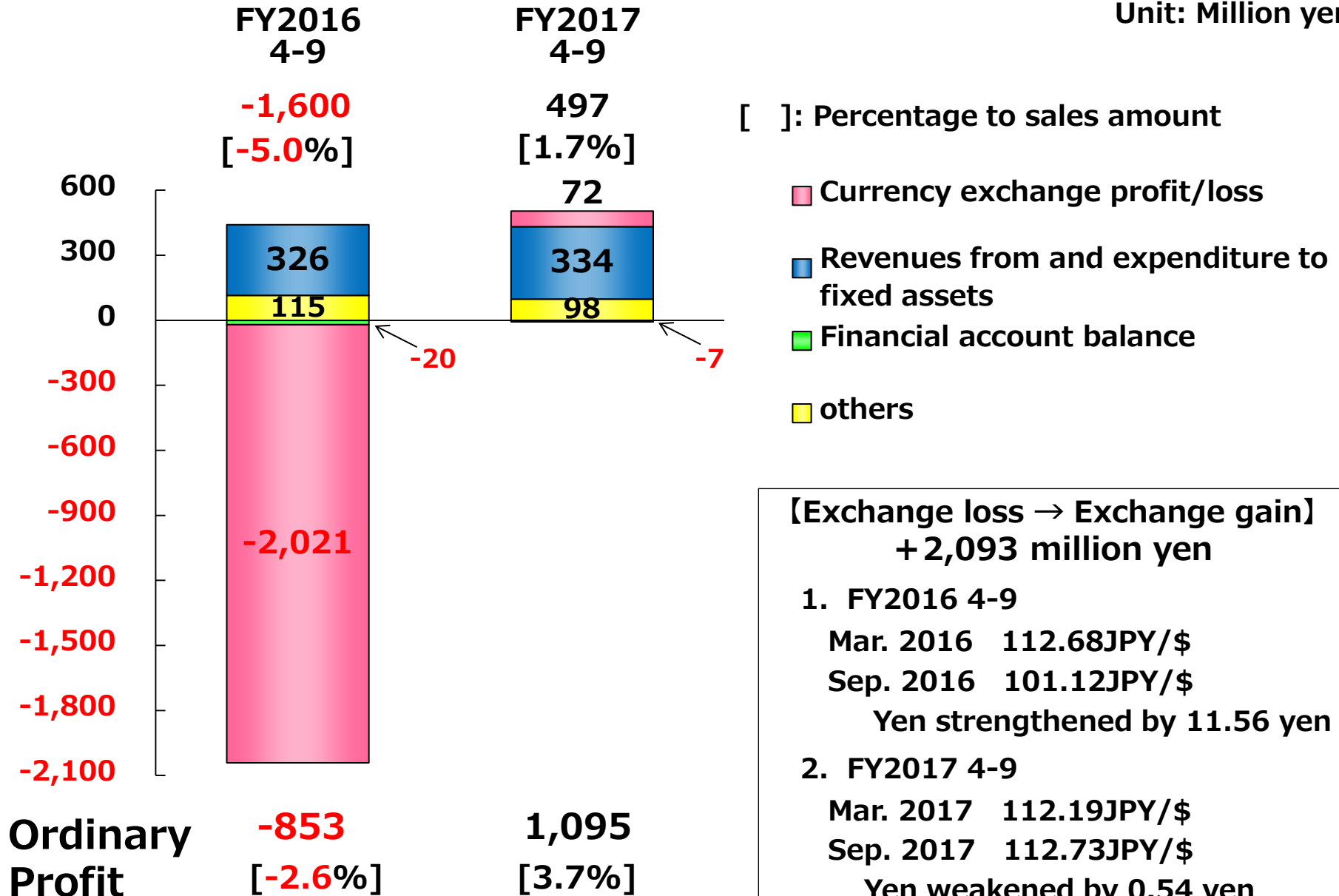
Analysis of factors for increase/decrease
of consolidated operating profit
[FY2016 4-9 vs FY2017 4-9]

Unit: Million yen



<Consolidated> Non-operating Profit and Loss

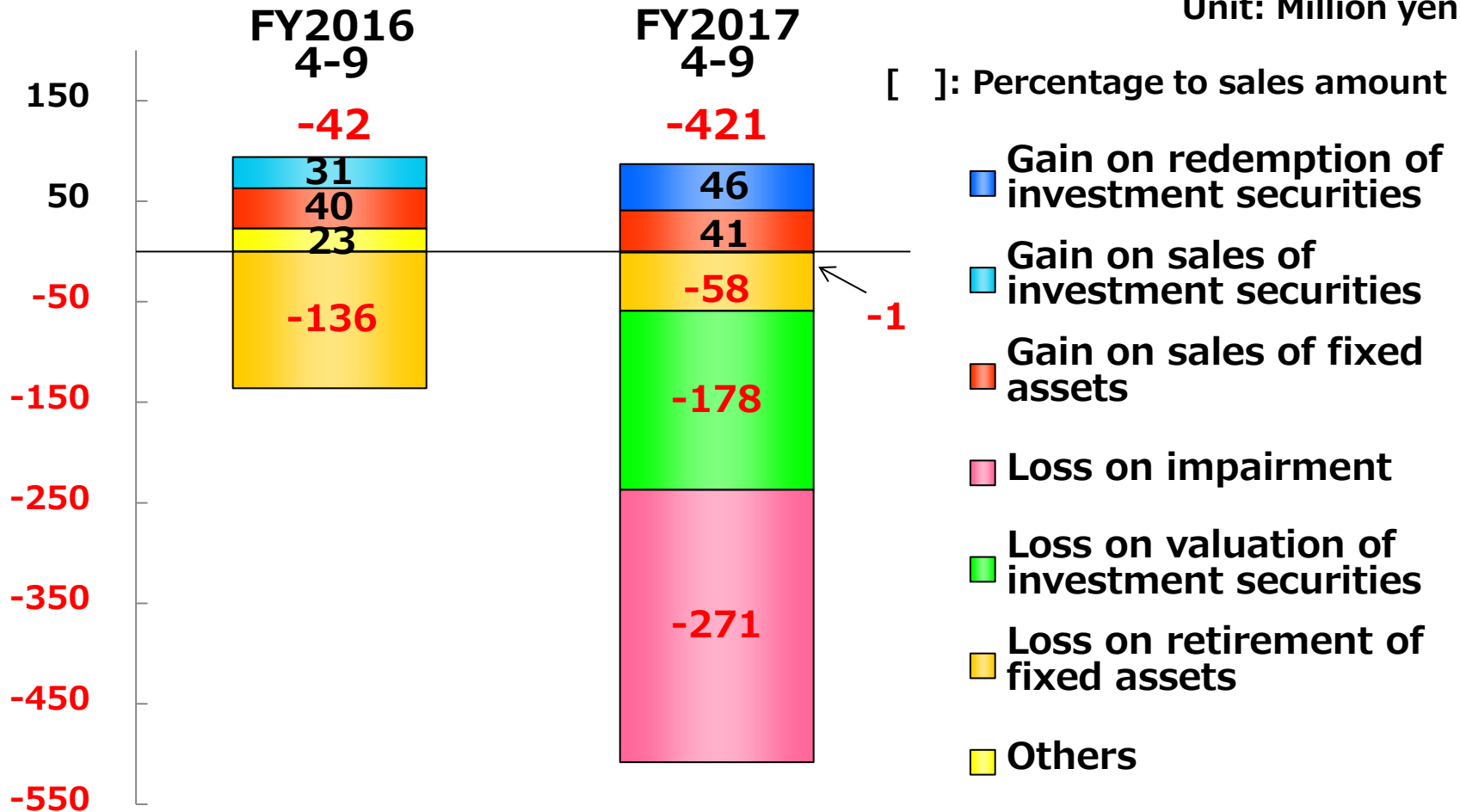
Unit: Million yen



<Consolidated> Extraordinary Profit or Loss

Unit: Million yen

[]: Percentage to sales amount



Profit (loss)
before taxes

-895

674

Net Profit

-1,079

900

[-3.4%]

[3.1%]

<Consolidated> Segment Information

Unit: Million yen

FY2017 4-9

	Reporting Segment				Others*	TOTAL
	CS Div.	FC Div.	TP Div.	Total		
Net Sales	14,435	9,939	4,857	29,231	162	29,393
Operating Profit (Loss)	1,858	(598)	(420)	840	(242)	598

FY2016 4-9

	Reporting Segment				Others*	TOTAL
	CS Div.	FC Div.	TP Div.	Total		
Net Sales	11,461	14,326	5,834	31,621	87	31,708
Operating Profit (Loss)	762	(59)	249	952	(205)	747

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

<Consolidated> Revised Financial Result Forecast

Upper row: Percentage to net sales

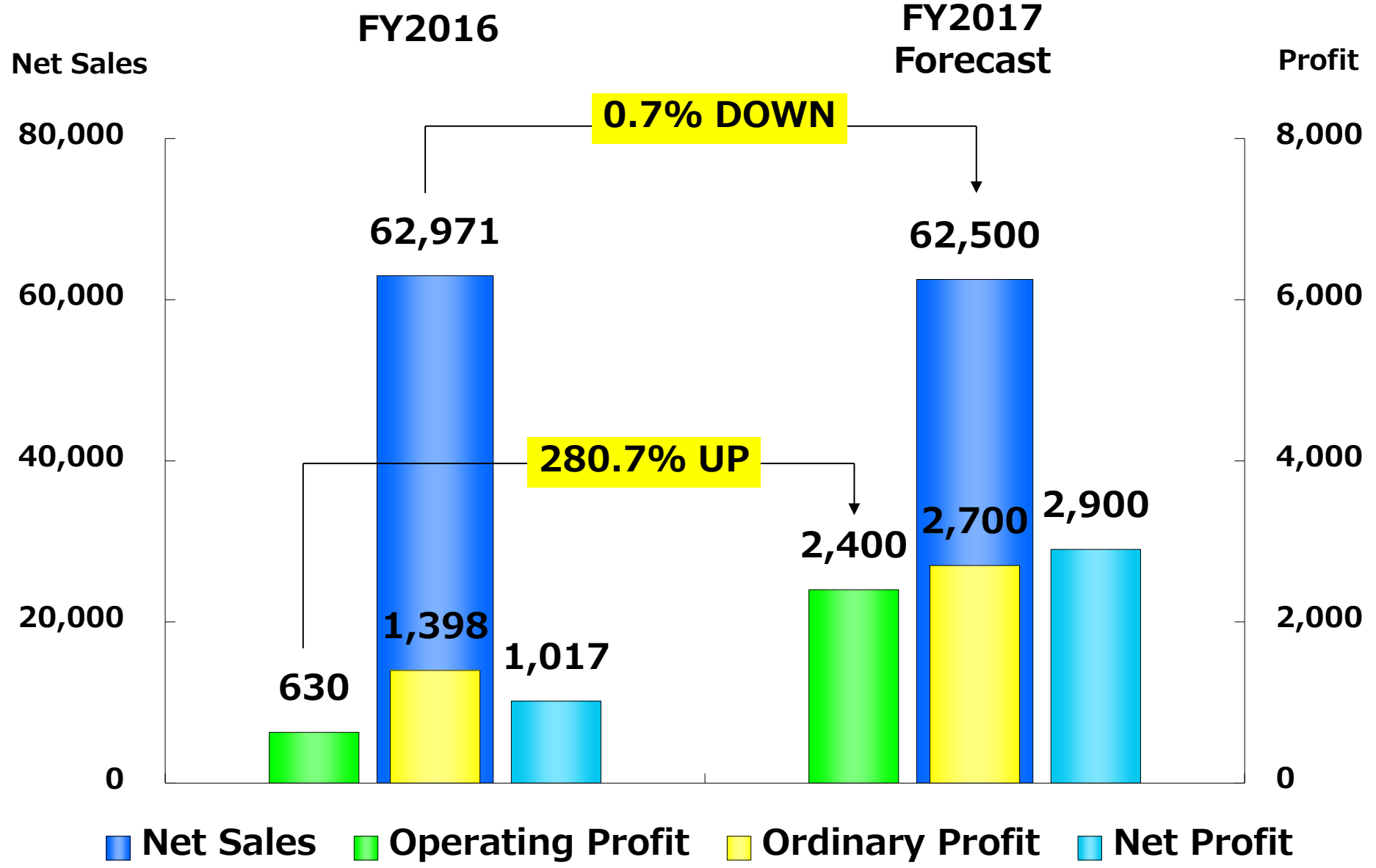
Lower row: Increase (decrease)
ratio to FY2016

Forecast of consolidated operating results for FY2017 (Full-year)

Announced on	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Apr. 26, 2017	65,500	100.0 4.0	2,200	3.4 249.0	2,800	4.3 100.2	1,900	2.9 86.8
Oct. 25, 2017 NEW	62,500	100.0 (0.7)	2,400	3.8 280.7	2,700	4.3 93.0	2,900	4.6 185.1

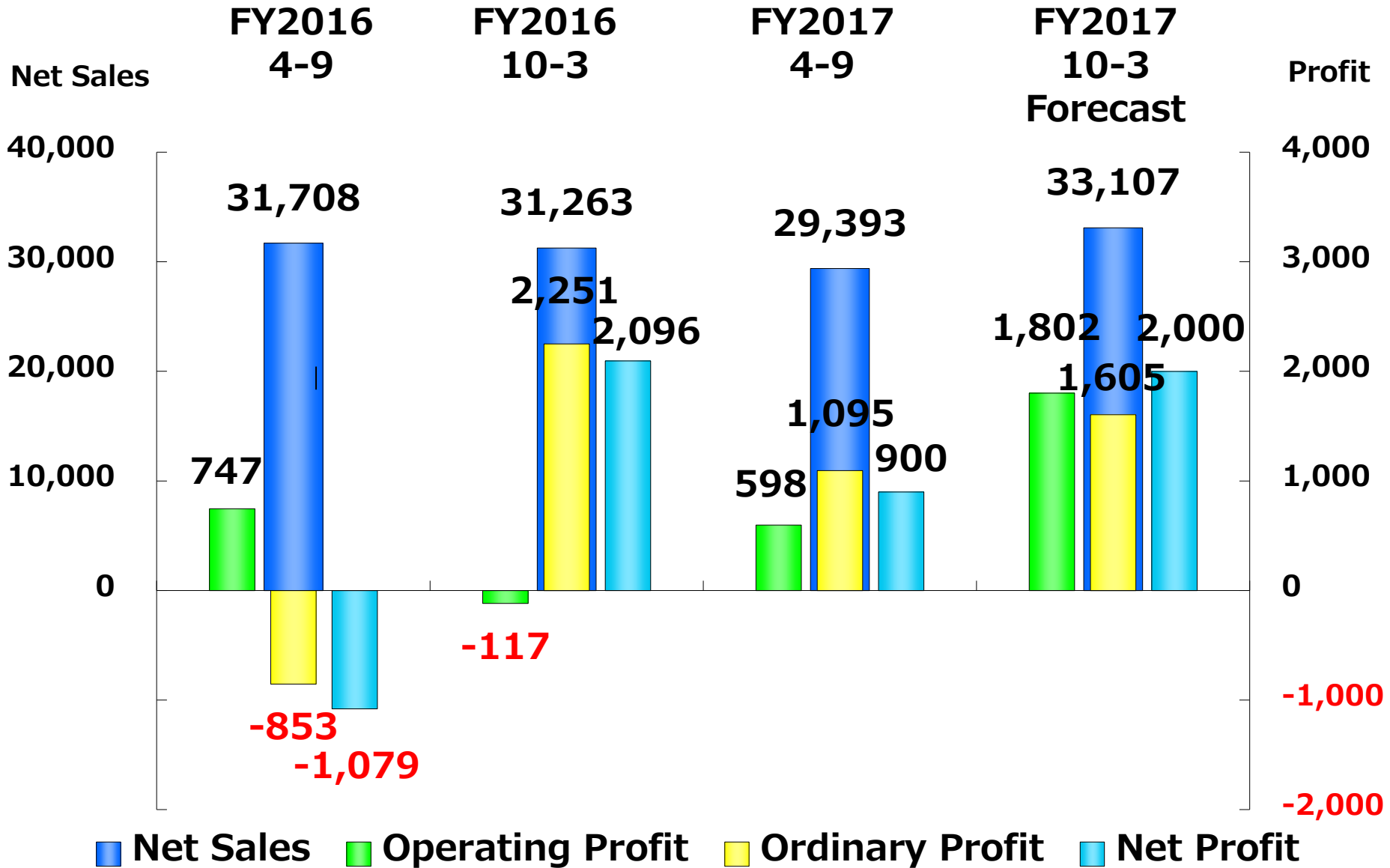
<Consolidated> Changes in Financial Results (Full-year)

Unit: Million yen



<Consolidated> Changes in Financial Result (Half Term)

Unit: Million yen



<Consolidated> Cash Position

Unit: Million yen

	Mar. 2017 (A)	Sep. 2017 (B)	Differential (B - A)
Assets	62,318	65,058	2,740
Cash and cash equivalents	10,117	10,989	872
Accounts receivable	14,853	16,345	1,491
Inventories	7,199	7,712	512
Fixed assets	28,044	28,104	60
Liabilities	30,999	32,829	1,830
Accounts payable and accrued expenses	7,526	7,925	399
Interest-bearing debt	18,447	19,478	1,030
Net assets	31,318	32,228	910
Common stock	7,996	7,996	-
Capital adequacy ratio	50.2%	49.5%	(0.7)%

<Consolidated> Cash Flow Position

Unit: Million yen

	FY2016 4-9	FY2017 4-9
Cash flow from operating activities	243	1,959
Working capital	(619)	(1,206)
Profit before taxes	(895)	674
Depreciation	2,136	2,085
Others	(379)	406
Cash flow from investing activities	(2,434)	(1,914)
Free cash flow	(2,191)	45
Cash flow from financing activities	2,690	697
Increase in interest-bearing debt	4,800	1,029
Increase (decrease) in treasury stock	(1,551)	(1)
Dividends paid	(559)	(329)
Initial balance	10,668	10,011
Final balance	11,003	10,890

Annual Dividend

	At second quarter end	At fiscal year end	Annual
FY2016 Result	5.00 yen	5.00 yen	10.00 yen
FY2017 Result	<u>4.00 yen</u>	—	—
FY2017 Forecast	—	<u>4.00 yen</u>	<u>8.00 yen</u>

FY2017 Prospect

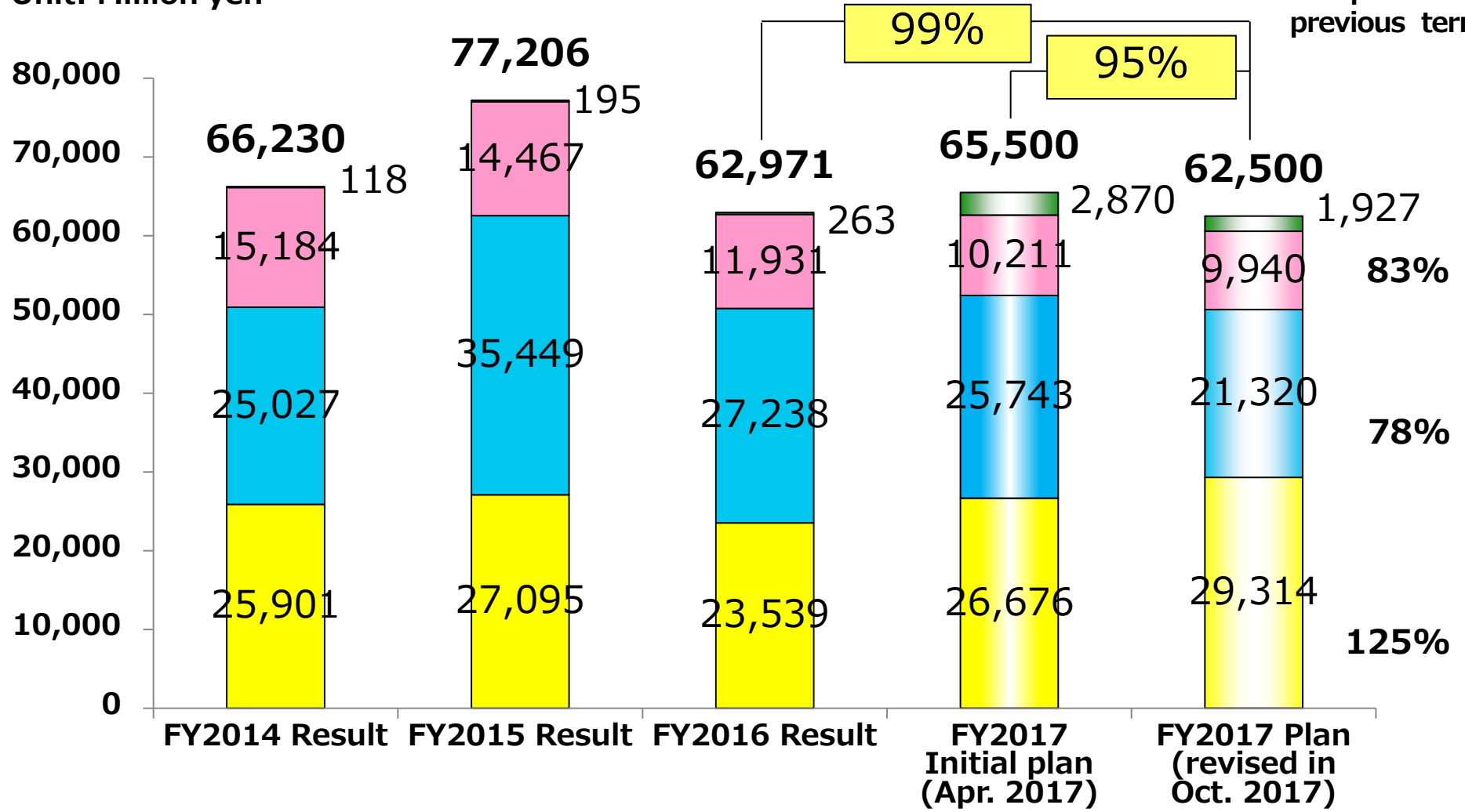
President, CEO and COO

YASUMITSU IKEDA

Net Sales by Product Div. (FY2014-FY2017)

Unit: Million yen

%: Compared to previous term



Exchange rate

1USD=109.90JPY

120.47JPY

108.74JPY

110.00JPY

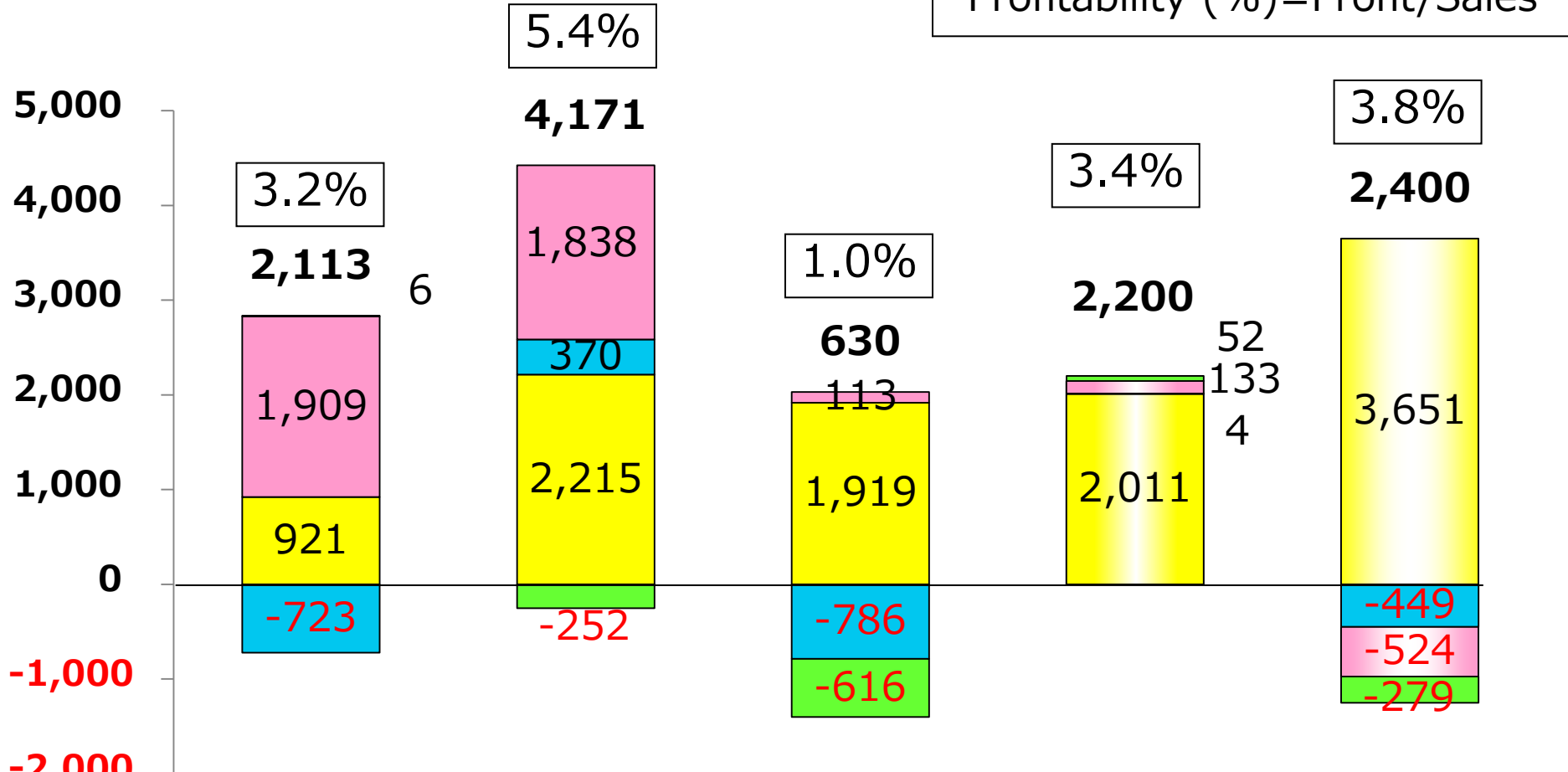
1H:111.25JPY
2H:110.00JPY

CS FC TP Others

Operating Profit by Product Div. (FY2014-FY2017)

Unit: Million yen

Profitability (%) = Profit / Sales



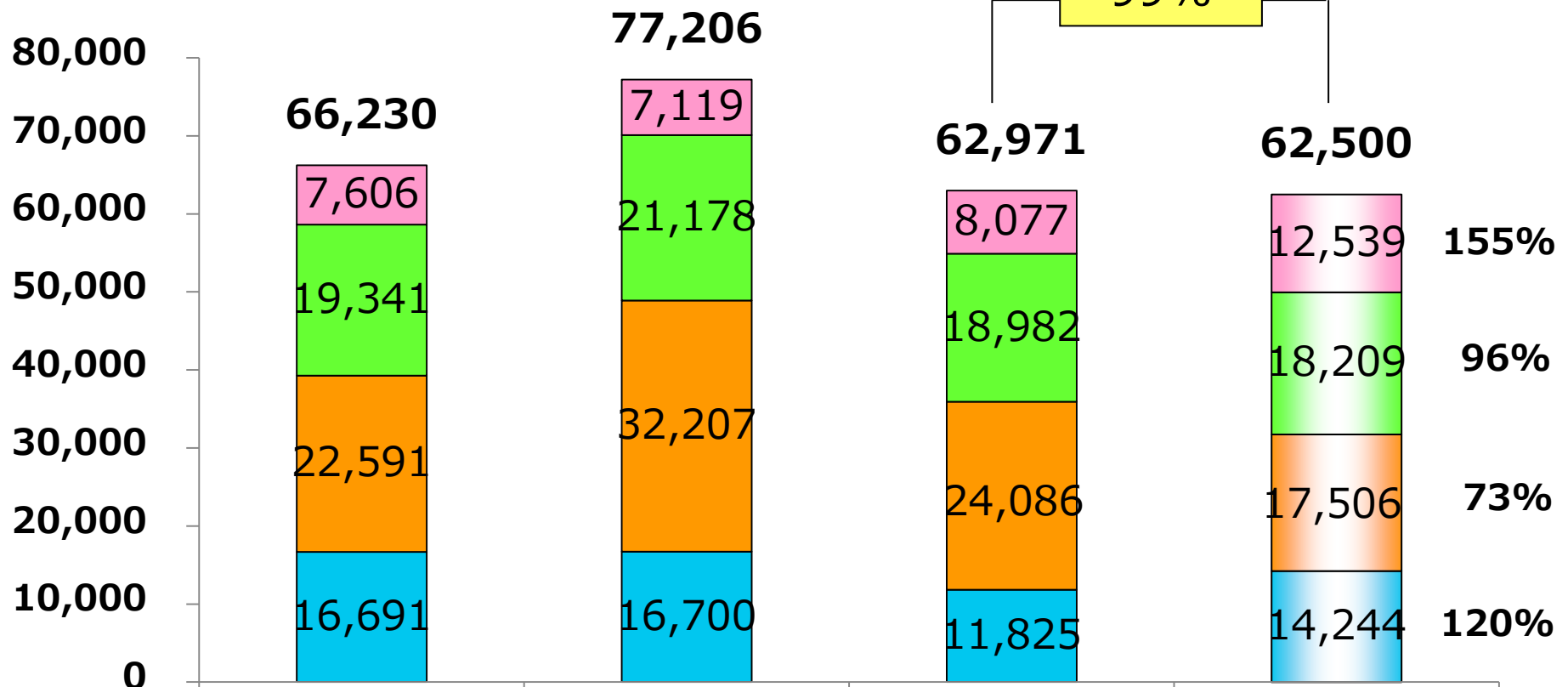
Exchange rate: 1USD=109.90JPY, 120.47JPY, 108.74JPY, 110.00JPY, 1H:111.25JPY, 2H:110.00JPY

Legend: CS (Yellow), FC (Blue), TP (Pink), Others (Green)

Reference: Net Sales by Market (FY2014-FY2017)

Unit: Million yen

99%
%: Compared to previous term



Exchange rate

1USD=109.90JPY

120.47JPY

108.74JPY

1H:111.25JPY
2H:110.00JPY

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

FY2017 Priority Matters


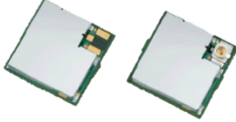

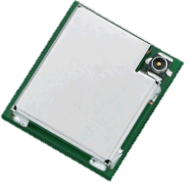








1 . Increase sales and profits in the short term

- ① Enhance activities to improve profitability
- ② Secure sales in existing key markets
- ③ Generate profits through new business

2 . Realize mid- to long-term growth

- ① Explore new markets
- ② Create new business by open innovation

LPWA RF Module for IoT Market

Product Name	SubGHz RF Module (SMK)	Sigfox RF Module	Sigfox Module with Gateway Function	Sigfox RF Module	IP500™ Module	SubGHz RF Module (LoRa®)
Series	WF921	WF923	WF923G	WF931	CNX200	-
Appearance						
Network protocol	SMK proprietary	Sigfox	Sigfox/ SMK proprietary	Sigfox	IP500	LoRaWAN™/ SMK proprietary
Status	Mass Production	Developed	Under Development	Under Development	Under Development	Under Development
Certification					  	

*The LoRa® Mark and LoRaWAN™ are trademarks of Semtech Corporation or its subsidiaries.

Relocation of Chinese R&D Location and Works

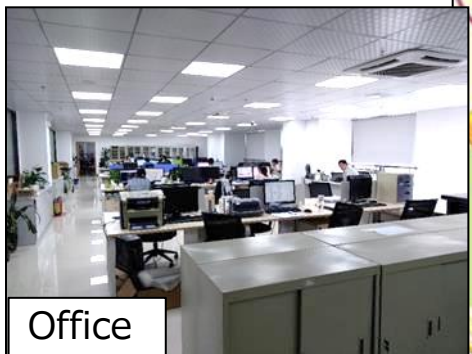


SMK Electronics Technology Development (Shenzhen) Co., Ltd.
 Abbr.: SMK-CTC
 Operation start: Jun. 12, 2017

SMK Electronics (Shenzhen) Co., Ltd.
 Abbr.: SMK-SZ
 Operation start at new factory: Mar. 2018
 Operation end at current factory: Feb. 2018



External appearance



Office



External appearance



Baiwangxin Industrial Area*

*High-tech business enterprise zone owned by Shenzhen City, Nanshan District local government

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.