

May 20, 2021

SMK Corporation

Medium-Term Business Plan

FY2021–FY2023

Toward New Growth — Confidence & Transformation

YASUMITSU IKEDA
President, CEO and COO



In 2020, the spread of COVID-19 caused a lockdown, supply chain disruption, and severe restrictions on economic activity worldwide. The pandemic has led to a sense of sluggishness and crisis, and changed our lifestyles. However, the spread of the infection is slowing down with the progress of vaccination, and the global economy in 2021 is heading for a gradual recovery on the premise that COVID-19 is still present. Meanwhile, technological innovations have continued to advance, such as CASE (Connected, Autonomous, Shared, Electric) in the automotive industry and 5G/IoT in the ICT (Information and Communication Technology) industry. Such advancements change the entire market and the industrial structure, and create new business opportunities.

Our business performance has been stagnant for the past several years amidst the drastic changes in the market environment. This new medium-term business plan is a concrete strategy formulated with a clear vision and objectives to break out of the slump, and is intended to implement growth strategies and further strengthen our corporate structure.

During the current plan period, we will strive to secure stable profits, at the same time, pave the way for long-term growth by focusing on measures and corporate structure reforms that will lead to business expansion and new business creation in the next medium-term business plan period (after FY2024).

SMK aspires to become a corporate group that can propose innovative and original solutions to the challenges before society and customers, by creatively connecting various products and people.

We also aspire to become a corporate group that can enable its employees to grow in the long-term by establishing a structural system and corporate culture that nurture human resources, having Creativity, a Challenging spirit, and the ability to propose excellent Solutions.

A company needed by society, a company with a culture to fosters human resources: that is what SMK Group aims to be.

Yasumitsu Ikeda
President, CEO and COO

**SMK
Philosophy**

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

SMK's Vision

CREATIVE CONNECTIVITY — Challenge, Creativity, Solutions

SMK Group will contribute to the creation of a better society and future by connecting people to people, people to products, and products to products creatively to resolve the various challenges before society and customers.

We will cultivate a corporate culture that inspires creativity in all SMK employees, as well as encourages them to take on new challenges.

Medium-Term Business Plan

“ Toward New Growth
— Confidence &
Transformation ”

Basic Policy

- **Expand sales and generate stable profits**
- **Reform corporate structure for new growth**

Business Environment

- Lengthening of U.S.-China hegemony struggle and trade friction
- Lifestyle changes due to COVID-19
- Major changes in the market and industrial structure
- Diversification of social demands
- Progress of digital transformation (DX)

How SMK
should be

— “Transformation” toward FY2023

**Grow Continuously,
Be Competitive,
and
Provide Solutions**

FY2023 Target

Net sales
60.7
billion yen

Operating profit
3.1
billion yen

Operating profit ratio
5
%

ROE
8
%

Enhancement of cost competitiveness

Improve quality
Review workflow
Promote automation and smart factories

Focus on value-added products

Review portfolio of business and products
Accelerate open innovation

Diversification of business models

Shift to solution sales that captures market trends and customer needs
Hardware + software + service

CS Business

- Expand sales in the car electronics market.
- Strengthen 5G-related connector business.
- Expand sales in the wearable market.

SCI/R&D Center Business

- Set out a new approach to the healthcare market.
- Expand sales in the IoT/wearable market.
- Enhance “One Stop Solution”.

Basic Policy

Expand sales and generate stable profits

Reform corporate structure for new growth

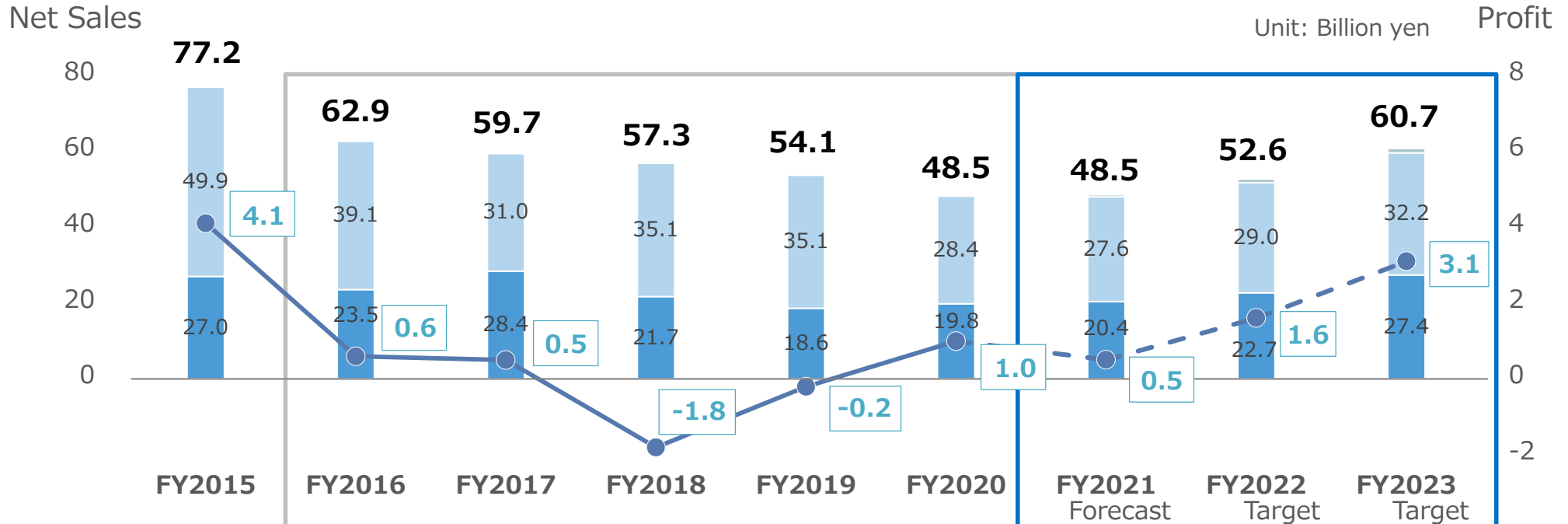
Growth Markets to Focus On

- CASE
- 5G
- Wearable
- IoT
- Healthcare

Corporate Structure Reform

- Improve productivity.
(Promote automation and smart factories.)
- Improve quality.
(Enhance front-loading product development.)
- Increase work efficiency by reviewing and reconstructing workflows.
- Develop human resources that support both manufacturing and growing business.
- Reform the personnel system to enable employees to reach their full potential.

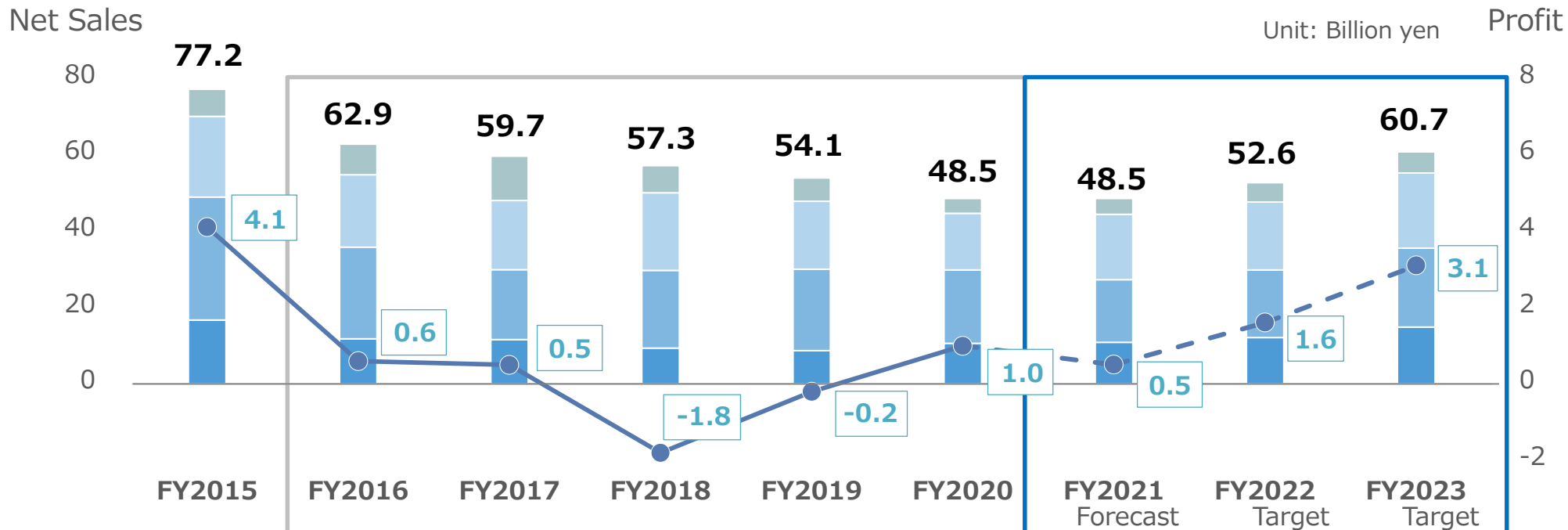
Growth Strategy by Segment



- CS
- SCI
- R&D Center
- Others
- Profit

Past five fiscal years		Medium-Term Business Plan
<p>CS Business</p> <ul style="list-style-type: none"> Sales expanded in the car electronics market, especially for camera connectors, leveraging strengths of coaxial technology. Market share of connectors for smartphone declined due to intensified competition. Demand for tablets increased due to the spread of COVID-19 and lifestyle changes (in FY2020) 	▶	<ul style="list-style-type: none"> Expand sales in the car electronics market. Strengthen 5G-related connector business. Expand sales in the wearable market.
<p>SCI + R&D Center Business</p> <p>SCI Sales volume of remote controls was maintained by shifting the focus from home appliance to large-scale projects for sanitary and IP set-top boxes. Touch panel business, on the other hand, shrank.</p> <p>R&D Focused on wireless communication-related business, but market growth was sluggish.</p>	▶	<ul style="list-style-type: none"> Set out a new approach to the healthcare market. Expand sales in the IoT/wearable market. Enhance "One Stop Solution".

Growth Strategy by Market



- ICT
- Home Appliance
- Car Electronics
- Industry/Others
- Profit

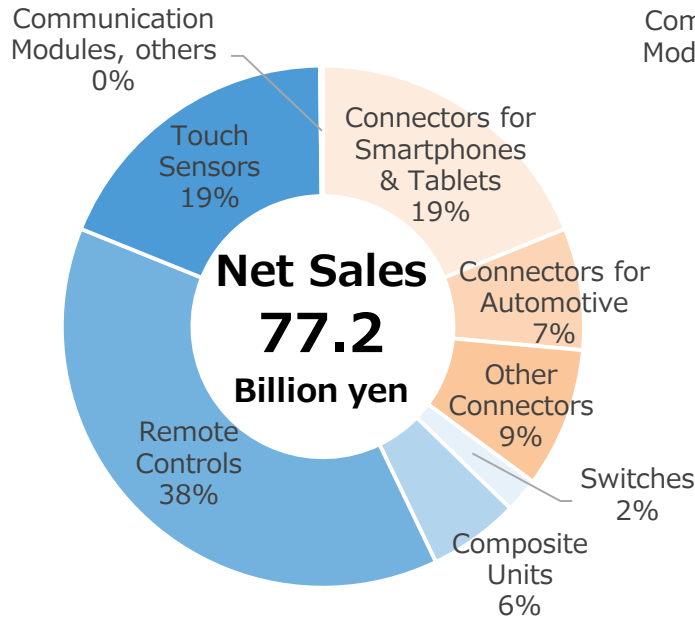
Past five fiscal years

- Sales decreased.
 - Increased cost competition in the touch panel market.
 - Intensified competition in the smartphone market.
 - Rapid growth of the streaming market and intensified competition.
- Cost competition intensified.
- Creation of new business lacked progress.

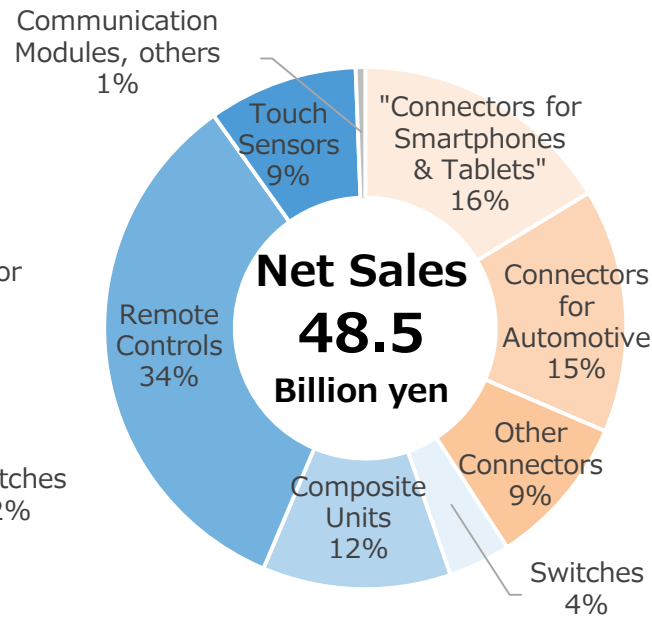
Medium-Term Business Plan

- **Engage in new markets to expand business foundation.**
Automotive, healthcare, 5G, etc.
- **Expand sales through solution sales.**
- **Develop SDGs-related products.**
- **Enhance Quality, Cost, Delivery.**
- **Promote digital transformation.**
(smart factories)
- **Improve work efficiency.**
- **Re-allocate management resources flexibly.**
- **Accelerate open innovation.**

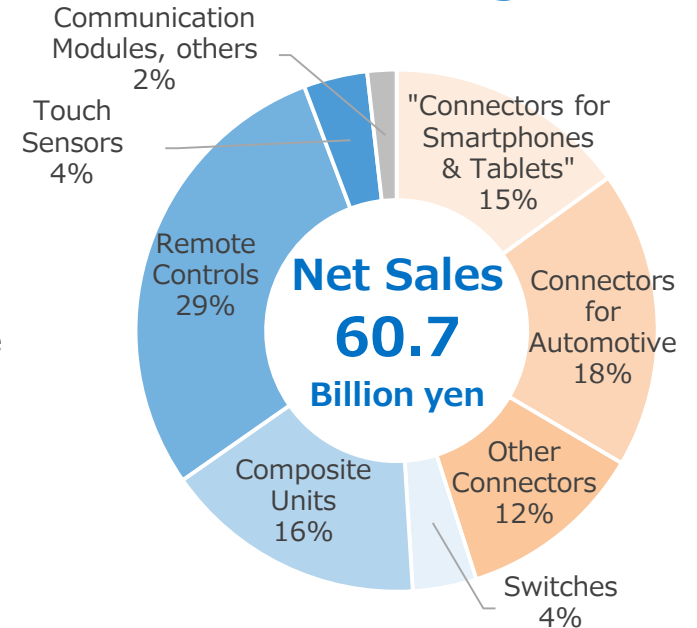
FY2015



FY2020

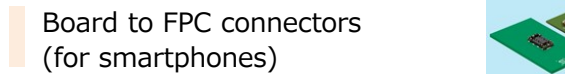

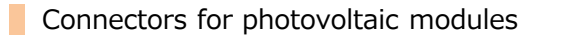
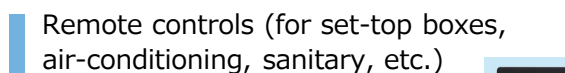
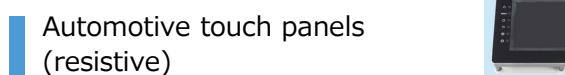


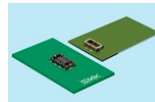
FY2023 Target



Mainstay Products

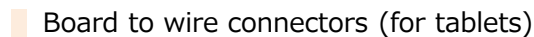
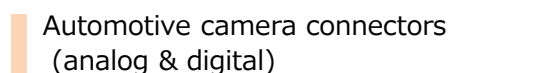

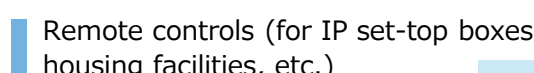
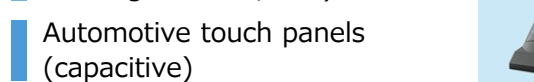
Growth in automotive camera connectors, large increase in remote controls for set-top boxes, steady growth in automotive touch panels

-  Board to FPC connectors (for smartphones)
-  Automotive camera connectors (analog)
-  Connectors for photovoltaic modules
-  Remote controls (for set-top boxes, air-conditioning, sanitary, etc.)
-  Automotive touch panels (resistive)



Mainstay Products


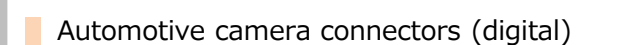


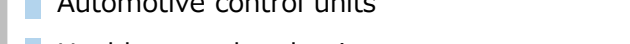
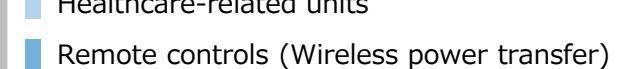
Continued growth in automotive camera connectors, strong growth in connectors for tablets, decrease in automotive touch panels

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



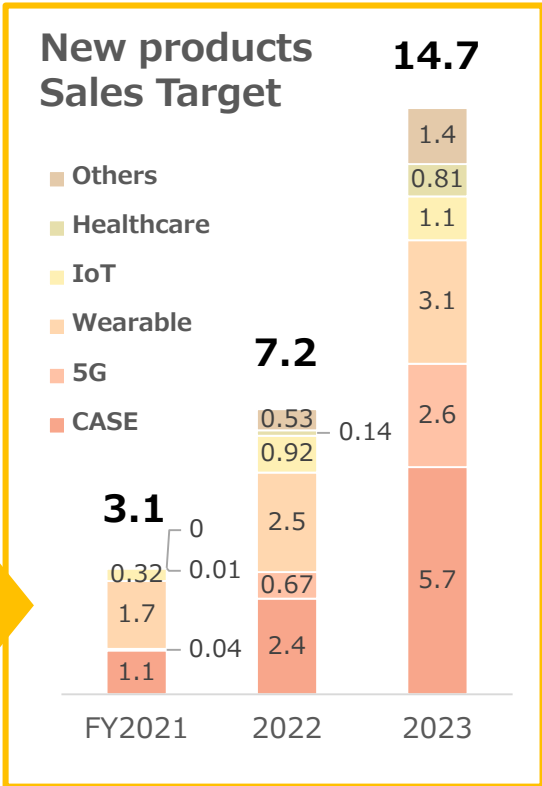
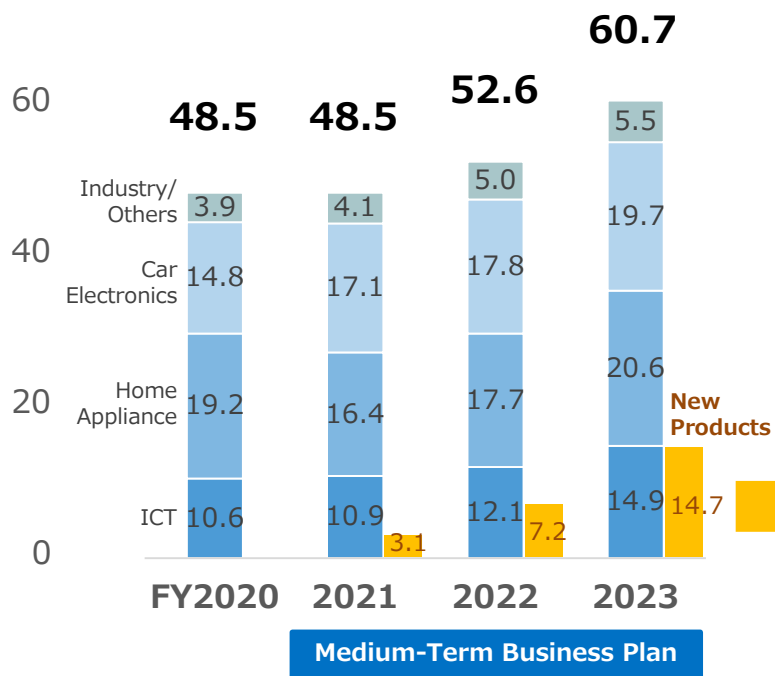
Mainstay Products

Expand lineup of automotive connectors, develop and receive order for 5G connectors, receive order for biometric sensors (for wearable and healthcare)

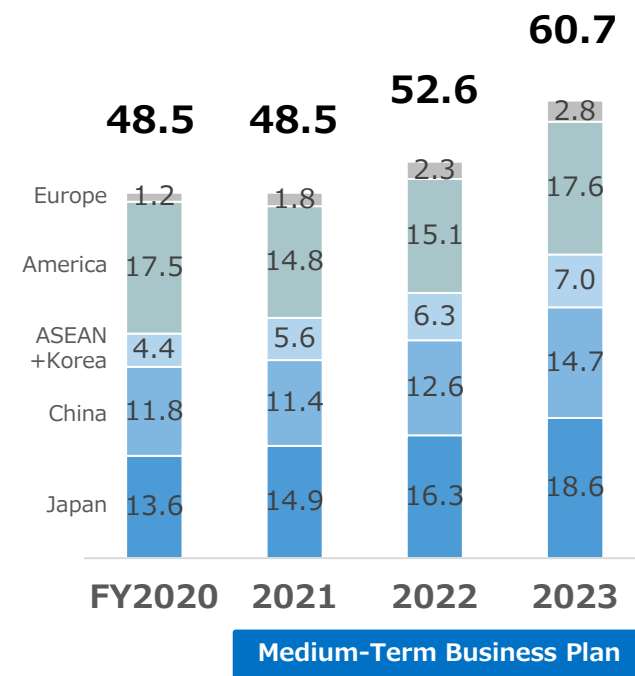
-  RF connectors for 5G
-  Automotive camera connectors (digital)
-  Connectors for wearable
-  Automotive control units
-  Healthcare-related units
-  Remote controls (Wireless power transfer)

Sales Target

(1) By Market



(2) By Area



Priority Business/Products by Market

- ◆ **ICT** RF connectors for 5G devices and base stations, Textile connectors for wearable
- ◆ **Home Appliance** Next-generation RF composite units and remote controls, Connectors for automatic assembly
- ◆ **Car Electronics** Camera connectors, Connectors for automotive electrical components, Passenger monitoring/biometric sensors, Control units
- ◆ **Industry/Others** RF communication modules for IoT, Units and connectors for infrastructure

One Stop Solution

Establish an integrated system to complete **Marketing** – **Design** – **Production** – **Sales** process within each region.



E Environmental Management

- Promote carbon neutrality
- Develop eco-friendly products
- Preserve water resources



Solar power plant

In-plant production of drinking water (Philippines)



S Social Responsibility

- Ensure supply chain compliance
- Engage with the local community
- Promote diversity and gender equality
- Improve employee engagement



Internship opportunities

Global mind-set workshop



G Governance

- Strengthen corporate governance
- Enhance compliance system
- Promote risk management

Dialogue with shareholders and investors

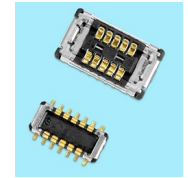


Business Development of products and services to solve social issues

Contributions to —

◆ development of the information society

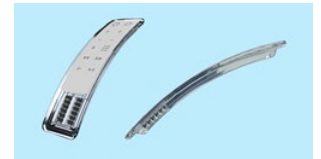
5G, wearable (remote medicine, ICT education)



5G connector

◆ growing use of sustainable energy

IoT, smart home



Energy harvesting device

◆ prevention of traffic accidents

CASE (automotive)



Passenger monitoring sensor

◆ promotion of health for all

Healthcare



Monitoring sensor



Medium-Term Goals

12/12

Unit: Billion yen

◆ Expand sales and generate stable profits ◆

		FY2020 Result	FY2021 Forecast	FY2022 Target	FY2023 Target
Net Sales	CS	19.8	20.4	22.7	27.4
	SCI	28.4	27.6	29.0	32.2
	R&D	0.3	0.5	0.9	1.1
	Total including others	48.5	48.5	52.6	60.7
Operating Profit	CS	1.44	0.67	1.1	2.2
	SCI	-0.07	0.05	0.6	1.0
	R&D	-0.27	-0.22	-0.1	-0.1
	Total including others	1.07	0.50	1.6	3.1
	Ratio	2.2%	1.0%	3.0%	5.0%
Ordinary Profit	2.6	1.0	2.1	3.5	
Net Profit	1.9	0.7	1.5	2.5	
Average Exchange Rate (1USD=)	105.87 yen	108 yen	105 yen	105 yen	

● Capital Investment Plan

	FY2020 Result	FY2021-2023 Plan (total)
Facilities for new products	1.4	5.8
Productivity improvement	0.5	3.0
Renewal	0.3	0.8
Total	2.2	9.6

● Improvement of financial position

- Reduce interest-bearing debt. (working capital)
— Create new investment capacity.
- Establish a foundation for cash flow management.

● ROE, ROA, Balance of Interest-Bearing Debt

	FY 20 15	FY 20 16	FY 20 17	FY 20 18	FY 20 19	FY 20 20	FY 20 21	FY 20 22	FY 20 23
ROE (%)	8.0	3.2	-0.9	-2.8	-9.9	7.3	2.5	5.0	8.0
ROA (%)	5.3	2.2	0.6	-1.2	-0.3	5.2	2.0	4.0	6.0
Interest-bearing debt (at year-end)	17.5	18.4	17.3	18.9	15.2	11.3	10.8	10.4	10.0