FY2019 2Q
Outline of Financial Statement

Executive Vice President and CFO
KOHEI OHGAKI
<Consolidated> 2Q Financial Results

FY2018 4-9
Net Sales: 28,101
Operating Profit: 278
Ordinary Profit: 122
Net Profit: -869

FY2019 4-9
Net Sales: 28,419
Operating Profit: -120
Ordinary Profit: -396
Net Profit: -520

Unit: Million yen

1.1% UP
<Consolidated> 2Q Financial Results (by Quarter)

Net Sales

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Sales</th>
<th>Operating Profit</th>
<th>Ordinary Profit</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019 4-6</td>
<td>13,662</td>
<td>-351</td>
<td>-740</td>
<td>-805</td>
</tr>
<tr>
<td>FY2019 7-9</td>
<td>14,757</td>
<td>231</td>
<td>344</td>
<td>285</td>
</tr>
<tr>
<td>FY2019 4-9</td>
<td>28,419</td>
<td>-120</td>
<td>-396</td>
<td>-520</td>
</tr>
</tbody>
</table>

Unit: Million yen

Net Sales Profit

8.0% UP

FY2019
**<Consolidated> Operating Expenses**

Unit: Million yen

<table>
<thead>
<tr>
<th></th>
<th>FY2018 4-9</th>
<th>FY2019 4-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material costs</td>
<td>13,490</td>
<td>14,555</td>
</tr>
<tr>
<td>Amount paid to subcontractors</td>
<td>837</td>
<td>418</td>
</tr>
<tr>
<td>Labor costs</td>
<td>9,201</td>
<td>8,776</td>
</tr>
<tr>
<td>Expenses</td>
<td>3,744</td>
<td>3,221</td>
</tr>
<tr>
<td>Depreciations</td>
<td>1,698</td>
<td>1,569</td>
</tr>
</tbody>
</table>

[ ]: Sales Ratio

- **Rise by 1.7%** in ratio of material costs & amount paid to subcontractors
  
  51.0% → 52.7%
  
  *(The ratio of material costs worsened due to product mix)*

- **Improved by 3.9%** in ratio of labor costs & expenses
  
  46.1% → 42.2%
  
  *(Because of the reduction of fixed costs)*

**Operating Profit/Loss**

- **FY2018 4-9**: -869 [-3.1%]
- **FY2019 4-9**: -120 [-0.4%]
<Consolidated> Analysis of Changes in Operating Profit

Analysis of factors for increase/decrease of consolidated operating profit [ FY2018 4-9 vs FY2019 4-9 ]

After adjusting impact of foreign exchange rates

- Reduction in fixed costs (labor costs/expenses/depreciations)
- Increase in sales amount
- Increase in variable costs
- Operating loss for this term
- Operating loss for previous term

Operating profit for this term: 693 million yen
Operating loss for previous term: -869 million yen
Increase in sales amount: 173 million yen
Increase in variable costs: -391 million yen
Average exchange rate for each term:
- FY2018 4-9: 110.09 JPY/$
- FY2019 4-9: 108.93 JPY/$
Yen strengthened by 1.16 yen

Total: +749 million yen
Foreign exchange profit/loss

Revenues from and expenditure to real estates

Financial account balance

Others

1. FY2018 4-9
   Mar. 2018  106.24JPY/$
   Sept. 2018 113.57JPY/$
   Yen weakened by 7.33 yen

2. FY2019 4-9
   Mar. 2019  110.99JPY/$
   Sept. 2019 107.92JPY/$
   Yen strengthened by 3.07 yen
Profit before taxes 420
Income taxes -297
Net Profit/Loss 122

[0.4%]

Unit: Million yen

Gain on sales of investment securities
Gain on sales of fixed assets
Loss on sales of fixed assets
Loss on disposal of fixed assets

[ ]: Sales Ratio
### <Consolidated> Segment Information

#### FY2019 4-9

<table>
<thead>
<tr>
<th>Reporting Segment</th>
<th>CS Division</th>
<th>SCI Division</th>
<th>R&amp;D Center</th>
<th>Total</th>
<th>Others*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>9,629</td>
<td>18,616</td>
<td>139</td>
<td>28,385</td>
<td>34</td>
<td>28,419</td>
</tr>
<tr>
<td>Operating Profit (Loss)</td>
<td>(28)</td>
<td>80</td>
<td>(154)</td>
<td>(101)</td>
<td>(19)</td>
<td>(120)</td>
</tr>
</tbody>
</table>

#### FY2018 4-9

<table>
<thead>
<tr>
<th>Reporting Segment</th>
<th>CS Division</th>
<th>SCI Division</th>
<th>R&amp;D Center</th>
<th>Total</th>
<th>Others*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>11,436</td>
<td>16,468</td>
<td>188</td>
<td>28,092</td>
<td>8</td>
<td>28,101</td>
</tr>
<tr>
<td>Operating Profit (Loss)</td>
<td>145</td>
<td>(719)</td>
<td>(189)</td>
<td>(764)</td>
<td>(104)</td>
<td>(869)</td>
</tr>
</tbody>
</table>

*Others: Other components business, lease, real-estate rental, and worker dispatching undertaking
<Consolidated> Changes in Financial Results (Full-year)

Net Sales

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>57,386</td>
<td>-1,834</td>
</tr>
<tr>
<td>54,000</td>
<td>0</td>
</tr>
</tbody>
</table>

5.9% DOWN

No change from the revised forecast published on July 29, 2019
<Consolidated> Changes in Financial Results (Half year)

Net Sales

<table>
<thead>
<tr>
<th></th>
<th>FY2018 4-9</th>
<th>FY2018 10-3</th>
<th>FY2019 4-9</th>
<th>FY2019 10-3 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>28,101</td>
<td>29,285</td>
<td>28,419</td>
<td>25,581</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>-869</td>
<td>-965</td>
<td>-956</td>
<td>-120</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>-985</td>
<td>-120</td>
<td>-396</td>
<td>-520</td>
</tr>
<tr>
<td>Net Profit</td>
<td>-2,000</td>
<td>-1,000</td>
<td>0</td>
<td>520</td>
</tr>
</tbody>
</table>

Unit: Million yen
### Consolidated Cash Position

<table>
<thead>
<tr>
<th></th>
<th>Mar. 2019 (A)</th>
<th>Sept. 2019 (B)</th>
<th>Differential (B – A)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10,889</td>
<td>9,614</td>
<td>(1,274)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>14,496</td>
<td>15,004</td>
<td>507</td>
</tr>
<tr>
<td>Inventories</td>
<td>8,071</td>
<td>6,427</td>
<td>(1,643)</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>24,430</td>
<td>23,971</td>
<td>(458)</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>6,792</td>
<td>6,896</td>
<td>103</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>18,865</td>
<td>17,154</td>
<td>(1,710)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>7,996</td>
<td>7,996</td>
<td>–</td>
</tr>
<tr>
<td><strong>Capital adequacy ratio</strong></td>
<td>48.7%</td>
<td>49.2%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Unit: Million yen
<table>
<thead>
<tr>
<th></th>
<th>FY2018 4-9</th>
<th>FY2019 4-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operating activities</td>
<td>66</td>
<td>2,407</td>
</tr>
<tr>
<td>Working capital</td>
<td>(1,689)</td>
<td>1,613</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>420</td>
<td>(366)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,791</td>
<td>1,656</td>
</tr>
<tr>
<td>Others</td>
<td>(456)</td>
<td>(496)</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(2,335)</td>
<td>(1,543)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(2,269)</td>
<td>864</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>1,150</td>
<td>(2,146)</td>
</tr>
<tr>
<td>Increase/decrease in interest-bearing debt</td>
<td>1,424</td>
<td>(1,704)</td>
</tr>
<tr>
<td>Increase/decrease in treasury stock</td>
<td>(6)</td>
<td>(113)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(263)</td>
<td>(324)</td>
</tr>
<tr>
<td>Others</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Initial balance</td>
<td>10,482</td>
<td>10,776</td>
</tr>
<tr>
<td>Final balance</td>
<td>9,014</td>
<td>9,511</td>
</tr>
</tbody>
</table>
## Annual Dividend

<table>
<thead>
<tr>
<th></th>
<th>At second quarter end</th>
<th>At fiscal year end</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2018 Result</strong></td>
<td>0.00 yen</td>
<td>50.00 yen</td>
<td>50.00 yen</td>
</tr>
<tr>
<td><strong>FY2019 Result</strong></td>
<td>0.00 yen</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>FY2019 Forecast</strong></td>
<td>—</td>
<td>50.00 yen</td>
<td>50.00 yen</td>
</tr>
</tbody>
</table>
FY2019 Prospect

President, CEO and COO

YASUMITSU IKEDA

CREATIVE CONNECTIVITY
Net Sales by Product Div. (FY2018-FY2019)

Unit: Million yen

%: Compared to previous term

FY2018 Result
- CS: 21,712
- SCI: 35,180
- Others: 471

FY2019/Apr Initial Forecast
- CS: 20,015
- SCI: 36,978
- Others: 550

FY2019/Jul Revised Forecast
- CS: 18,362
- SCI: 54,000
- Others: 445

FY2019/Oct Forecast
- CS: 18,362
- SCI: 54,000
- Others: 445

Exchange rate
- 1 USD = 110.87 JPY
- 1H: 108.93 JPY
- 2H: 108.00 JPY
Operating Profit by Product Div. (FY2018-FY2019)

Unit: Million yen

Profitability (%) = Profit/Sales

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1USD=110.87JPY</td>
<td>-1,834</td>
<td>600</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>258</td>
<td>414</td>
<td>-103</td>
<td>378</td>
</tr>
<tr>
<td></td>
<td>-861</td>
<td>-352</td>
<td>-316</td>
<td>-342</td>
</tr>
<tr>
<td></td>
<td>-316</td>
<td>-914</td>
<td>-914</td>
<td>-39</td>
</tr>
</tbody>
</table>

1H: 108.93JPY 1USD=110.87JPY 108.00JPY
2H: 108.00JPY
Reference: Net Sales by Market (FY2017-FY2019)

Unit: Million yen

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>11,605</td>
<td>7,185</td>
<td>5,650</td>
</tr>
<tr>
<td>Home Appliance</td>
<td>18,184</td>
<td>20,338</td>
<td>18,500</td>
</tr>
<tr>
<td>Car Electronics</td>
<td>18,326</td>
<td>20,397</td>
<td>21,250</td>
</tr>
<tr>
<td>Industry/Others</td>
<td>11,669</td>
<td>9,464</td>
<td>8,600</td>
</tr>
</tbody>
</table>

%: Compared to previous term

- ICT: 79%
- Home Appliance: 91%
- Car Electronics: 104%
- Industry/Others: 91%

Exchange rate

1USD = 110.94JPY (FY2017) 110.87JPY (FY2018) 1H: 108.93JPY 2H: 108.00JPY

Target Markets

- ICT
  - 5G
  - Wearable
  - VICs in China and the U.S.
- Car Electronics
  - LPWA
  - Healthcare
  - Printer
  - Renewable energy
- Home Appliance
  - CASE
  - ADAS
  - V2X
  - EV/PHEV
- Industry/Others
  - Smart appliance
  - Set-top box
  - Home equipment
FY2019 Priority Matters

1. Restore profitability by reducing break-even point.

2. Expand business by enhancing cooperation between new system of Product & Sales Div.

3. Create new business through open innovation.
SMK Dongguan Factory’s One Stop Service
<for Improved Productivity and Acquisition of New Orders>
# Approach to Car Electronics Market

## Connected
- Multi Coaxial Connector “MH-1 Series”
- 10P High-Speed Connector (5Gbps)
- Floating Board to Board Coaxial Connector

## Autonomous
- Ethernet Connector
- Camera Module
- Contactless Occupancy Detection/ Biometric Sensor

## Safety
- Wireless Module
- Small Coaxial Connector for Camera Module

## Electric/Entertainment
- 2 Piece Type FPC Connector
- Capacitive Touch Panel with Large Curved Cover Panel
- 3D Shape Switch Panel

## Target Markets
- ADAS
- V2X
- EV/PHEV

## Website Renewal

---

**Connected**

- Multi Coaxial Connector “MH-1 Series”
- 10P High-Speed Connector (5Gbps)
- Floating Board to Board Coaxial Connector

**Autonomous**

- Ethernet Connector
- Camera Module
- Contactless Occupancy Detection/ Biometric Sensor

**Safety**

- Wireless Module
- Small Coaxial Connector for Camera Module

**Electric/Entertainment**

- 2 Piece Type FPC Connector
- Capacitive Touch Panel with Large Curved Cover Panel
- 3D Shape Switch Panel

---

**Approach to Car Electronics Market**

- **2018**
  - ADAS
  - V2X
  - EV/PHEV

- **2020**
  - ADAS
  - V2X
  - EV/PHEV

- **2025**
  - ADAS
  - V2X
  - EV/PHEV

---

**Website Renewal**
R&D Center’s Approach to Open Innovation

NEC commenced the demonstration experiment of the smart street lighting employing SMK’s wireless module in Suginami Ward, Tokyo.

<table>
<thead>
<tr>
<th>Schedule</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power supply module</td>
<td>Demo</td>
<td>Pilot</td>
<td>Mass Production</td>
</tr>
<tr>
<td>HTIP Software</td>
<td>Demo</td>
<td>Pilot</td>
<td>Mass Production</td>
</tr>
<tr>
<td>Intelligent SMPS</td>
<td>Demo</td>
<td>Pilot</td>
<td></td>
</tr>
</tbody>
</table>

<Next Proposal>

**Intelligent SMPS for IoT Devices**

13% improvement in electrical efficiency compared to the conventional, even at 10 to 20% light load operation.

<HTIP Software Development>

Japan’s Ministry of Internal Affairs and Communication

National Institute of Information and Communication Technology

Industry-academia-government collaboration

Japan Advanced Institute of Science and Technology

Fujitsu

HTIP: Home-network Topology Identifying Protocol
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.

Notes on Trademark

* LoRaWAN® read mark is registered trademark owned by LoRa Alliance™ and any use of mark by SMK Corporation is under license.
* Other products and company names listed in this material are the registered trademarks or trademarks of their respective holders.